Manitoba
September, 2001

OFFICE OF THE
PROVINCIAL AUDITOR

Investigation of an Adult Learning Centre ("The Program") in Morris-Macdonald School Division # 19

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September 2001

The Honourable Peter M. Liba
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Sir:

I have the honour to submit herewith our September 2001 report on the Investigation of an Adult Learning Centre in the Morris-Macdonald School Division #19 to be laid before Members of the Legislative Assembly in accordance with the provisions of Section 13 of The Provincial Auditor's Act.

Respectfully submitted,

Jon W. Singleton, CA•CISA
PROVINCIAL AUDITOR

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REFLECTIONS OF THE PROVINCIAL AUDITOR

This report reflects the results of our investigation of a particular Adult Learning Centre (ALC). What we found made it clear that, in order to situate our findings in an appropriate context, we needed to examine the role of the School Division and the Department of Education, Training and Youth, in the delivery of adult learning. In addition to allowing us to identify further issues and recommendations particular to this situation, the expansion of the scope of the investigation enabled us to think further about what can be learned from the experiences of those participating in various ways in delivering The Program. Our intent is that these learnings may help others avoid similar problems in the future.

Much can be gleaned directly from our recommendations and thinking about their relevance, in a general way, to other government programs and we encourage readers to approach the recommendations from this point of view. The learnings described represent some of my own thoughts along these lines.

Learnings for Private Sector Partners

There are two important aspects of effective private sector/public sector partnerships that those in the private sector need to keep in mind. The first is an understanding of the special duty of care required of those entrusted with the administration of public funds. The second is that effective and efficient management and control practices are an essential part of honouring the special duty of care. In our view, lapses in both of these aspects contributed to the problems highlighted in this report.

The special duty of care arises because citizens are compelled to provide government with most of its revenues. In this circumstance, it is incumbent on anyone with access to public monies to be particularly prudent in managing the use of these monies. The duty of care is to utilize public monies with transparency, due diligence and with an appreciation of the accountability to government and citizens.

Some of the key aspects of management and control practices that need to be considered by private sector partners include:

- Clarifying expectations in written agreements and then designing quality assurance and control processes to support delivering on these expectations;
- Ensuring that resources and objectives are linked within a well thought out business plan; and
- Taking advantage of the flexibility inherent in operating apart from regular government rules and protocols, while respecting the values inherent in the public sector.

For The Program, we believe that the absence of effective control and monitoring processes contributed to the overstated enrollment figures and the consequent over expenditure of public monies.

Further, we believe that the problems we encountered at The Program, including the provision of a poor quality of education to students likely resulted from not following what some might consider to be "normal" teaching practices. Some of these "normal" teaching practices include:

- Having appropriate human resource management policies in place, suitably adapted to the practice of continuous intake of students where appropriate. The professional development opportunities available to teachers should include the development of skills in teaching adults;
- Having appropriate textbooks, supplies and equipment available to students throughout the program;
- Having appropriate student access to information technology;
- Using certified teachers and teaching assistants appropriately;
- Having copies of curriculum guides and/or statements of standards and outcomes available to all teachers and ensuring that these form the basis for program design and student assessment in credit courses;
- Using testing and assessments to ensure appropriate placement of students in the Mature Student High School Diploma Program; and
- Using continuous testing and teacher prepared examinations and, when feasible, provincial examinations to ensure graduates meet standards generally deemed acceptable.

Of course, we are aware that the practice of education evolves over time and that it is incumbent on practitioners and administrators to adapt particular practices to changed circumstances.

Learnings for School Divisions

The learnings described for the private sector partners in the preceding section are also relevant to School Board Trustees and administrators, and we encourage these individuals to reflect on them.

However, we would also like to direct the reader's attention to the risks inherent in implementing a new program and/or making significant changes in the strategic direction of a School Division. Any organization embarking on significant changes needs to be particularly cognizant of both the opportunities and the potential pitfalls inherent in moving into unknown territory. In these circumstances, both administrators and School Board Trustees need to ensure that thorough plans are put

in place so that there is a reasonable chance of success. Effective and efficient monitoring practices also need to be put in place to identify changes in a timely manner that are needed to be successful.

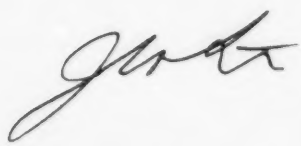
We believe that neither the School Board Trustees nor the administrators placed enough emphasis on addressing the risks inherent in delivering the adult learning program and that this likely contributed to the problems encountered in Morris-Macdonald and The Program.

Learnings for Government Departments

The learnings described in the preceding two sections are also relevant to Ministers and Public Sector Managers in Government Departments and we encourage these individuals to reflect on these.

However, we would also like to direct the reader's attention to the importance of appropriate policy frameworks, supported as appropriate with legislation and regulations, in providing reasonable assurance that programs will meet their objectives, and that public monies will be well spent in program delivery. In our system of governance, policy frameworks are an essential component of ensuring that the intentions of the legislature are respected in the delivery of programs and the expenditure of public monies.

We believe that the absence of an effective policy framework for adult learning in Manitoba likely contributed to the problems encountered in Morris-Macdonald School Division and The Program.



Jon W. Singleton, CA•CISA

EXECUTIVE SUMMARY

On March 29, 2001, the Office of the Provincial Auditor (PAO) was requested by the Deputy Minister, Manitoba Education, Training and Youth to investigate allegations regarding an Adult Learning Centre (ALC) called the African Immigrant Program, and later known as Classroom 56, operating as a program within Morris-Macdonald School Division #19 (MMSD). Throughout this report, this ALC will be referred to as "The Program".

Section 17(4) of The Provincial Auditor's Act permits the Provincial Auditor to perform an inspection audit in respect of a recipient of public monies such as MMSD. On March 30, 2001, we formally agreed to investigate the allegations.

The Program commenced operation in September 2000 as an ALC operated by Higher Opportunities for People through Education Inc. (HOPE), incorporated July 27, 2000 as a for-profit entity. MMSD partnered with HOPE under a private/public partnership contract to deliver adult learning programs at various locations in Winnipeg. The Program was one of ten ALCs operated by HOPE in Manitoba in the 2000/01 school year, of which eight were partnered through MMSD.

As a result of the information we obtained during the course of this requested investigation, we amended the scope of our examination to include a general review of the establishment of ALCs in MMSD, and a review of Manitoba Education, Training and Youth's (the Department) role in the evolution of ALCs in Manitoba. This expanded review was intended to promote improvements in the operations and quality of education provided by all ALCs in all School Divisions. This report, therefore, contains three chapters. Each chapter has been written as a self-contained report.

Chapter I (p. 15 to p. 42)

Investigation of An Adult Learning Centre in Morris-Macdonald School Division #19. This report provides findings and conclusions for allegations of overstated student enrollment for funding, and significant problems in quality of education and administrative practices in one ALC referred to as "The Program".

Chapter II (p. 43 to p. 80)

A Review of Adult Learning Centres in Morris-Macdonald School Division #19. This report looks at MMSD's governance, management of, and involvement in ALCs.

Chapter III (p. 81 to p. 108)

A Review of the Department's Role in Adult Learning Centres in Manitoba. This report reviews the evolution of ALCs in Manitoba and the Department's role in creating and implementing an appropriate policy framework.

Our review indicates that work needs to be done by parties involved in ALCs, to ensure that public monies are well spent in improving the opportunities presented to adult Manitobans to gain a high school education. ALCs could potentially provide a valuable mechanism to assist those adults in Manitoba who, for a wide variety of reasons, have not completed high school. We encourage all School Divisions and ALC partners in Manitoba to review this report and reflect upon the learnings provided in order to minimize the risks associated with poor administration and monitoring of ALCs. Adult learners in Manitoba should be able to assume that they will receive a comparable quality education, in comparable facilities, in any School Division-sponsored ALC in Manitoba.

SUMMARY OF CONCLUSIONS

With respect to The Program we concluded that:

- The enrollment figures provided to MMSD by The Program were significantly overstated and the documentation to support the enrollment submission is inadequate. Based on the results of our investigation, MMSD was over funded for The Program by between $488,900 and $613,300; and
- The Program was poorly managed and poorly delivered, resulting in an inferior quality of education being provided to the students.

With respect to MMSD, we concluded that:

- Based on our interpretation of available information, the Division overbilled the Province by approximately $371,000 by using overstated ALC enrollment figures related to other ALC operations within the Division; and
- The Division provided an inappropriately low level of management, monitoring and quality assurance for The Program and other ALCs.

With respect to the Department, we concluded that:

- ALCs have evolved without an appropriate legislative and policy framework which in turn may have contributed to a rapid and unforeseen increase in the cost of adult learning programming; and
- The recently issued policy framework, *Accountability Framework for Adult Learning Centres 2001/2002*, for ALCs may contain inconsistencies with the Public Schools Act and the Education Administration Act.

RECOMMENDATIONS

Recommendations contained in each Chapter have been replicated here.

Chapter I

- That the Department seek legal advice on the appropriateness of MMSD providing it with student enrollment numbers that MMSD knew, or should have known, were significantly overstated. Further, MMSD's School Board should seek legal advice on the appropriateness of its administrators and/or the administrators of The Program providing MMSD with enrollment figures that they knew, or should have known, were overstated.
- That the Department consider requesting reimbursement from MMSD for overfunding of an amount between $488,900 and $613,300, representing the difference between MMSD's FTE funding submission in December 2000 and our FTE estimate for The Program of between 50 and 100 student FTEs.
- That MMSD consider adjusting the administrative allowances paid to MMSD staff for The Program's enrollment by between $4,500 and $5,700 to reflect the reduction in The Program's enrollment.
- That the Department defer decisions with respect to providing future funding to any ALCs operated by those responsible for the day-to-day operation of The Program until those responsible have presented an operating strategy and plan to satisfy the Department that issues, such as those discussed in this report, will not reoccur.
- That the Department reassess its decision to fund HOPE for 2001/02. HOPE was the originator of The Program, used non-certified individuals, and did not provide appropriate facilities, nor had materials (textbooks, supplies, curriculum documents) in place to meet the requirements to offer The Program in September 2000.
- That MMSD take steps to ensure that the compensation of teaching assistants is consistent throughout the Division and in all its ALCs.
- That the Superintendent obtain a copy of the second consulting report on The Program forthwith and provide a copy to the Department together with such commentary and analysis as is considered appropriate.
- That MMSD consider requesting reimbursement of the $1,900 application submission fee and the $1,000 incorporation fee paid by MMSD on behalf of two employees of The Program for their partnering arrangements with another School Division.
- That MMSD consider obtaining legal advice respecting its right to recover the $25,000 advanced to HOPE for a summer program that provided a deficient quality of education.

Chapter II

- That the Department consider requesting reimbursement from MMSD of at least $371,000 based on our extrapolation of the contracted survey results. This represents estimated MMSD ALC's FTE overstatements, excluding The Program. We used information that was available to MMSD and the Department in deriving this amount. Should the Department wish to review previous years' enrollment information, we recommend that additional audit procedures be conducted.
- MMSD should request attendance information from ALCs in order to determine the extent of any adjustment to FTE funding required for students that may have dropped out of ALCs prior to September 30,2000. If this information is not available, consideration should be given to estimating a student FTE reimbursement to the Department for a proportion of the 688 students based on a negotiated rationale.
- That the Department consider requesting MMSD to return the excess funding that was not required to operate the Entrepreneurial Technology and Education Centres (ETECs) program from inception to June 30, 2001 estimated at approximately $1.5 million.
- That MMSD revisit and seek to revoke the current ALC administrative allowance section of the Collective Agreement specifically regarding the payment of administrative allowances to school staff and ALC Directors, based on ALC enrollment.
- That MMSD consult with the Department regarding the disposition of assets and deficits of an ALC which will not be a partner in 2001/02.
- That MMSD develop a formal, Board approved, strategic business plan that outlines the direction the Division intends to follow concerning ALCs.
- That MMSD obtain legal advice to assist them in the preparation of an appropriate ALC partnership agreement to be used for future ALC partnerships.
- That MMSD clarify and communicate the roles of the Division and ALC sites with regard to their specific accountability responsibilities.
- That MMSD develop and implement formal policies, procedures and controls relating to the operations of ALCs. The Department should review MMSD policies, procedures and controls to further ensure that public monies are not put at risk.
- That MMSD adopt formal and consistent review procedures for ALC expense transactions.
- That MMSD ensure their ALC Site Directors/Coordinators have appropriate educational and/or administrative backgrounds.
- That MMSD establish performance measures and targets for ALC success rates such as course credit achievement rates, graduation rates, etc.

- That MMSD's School Board discuss and clarify a number of issues to improve their governance practices, including:
  - Ensuring that all Trustees have a common understanding of board roles, responsibilities and accountabilities;
  - Ensuring that a common understanding exists among all Trustees as to the administrative functioning of the Division and that the roles and responsibilities of all administrative positions have been clearly delineated;
  - Conducting an annual strategic planning exercise that clarifies the Board's goals and priorities for the Division;
  - Improving the teamwork approach of the Board. Trustees should work together in frank discussions to improve the level of trust that currently exists on the Board. Strategic planning exercises and the adoption of clear, agreed-upon priorities can also help to improve trust;
  - Establishing the Board's appropriate level of involvement in administrative or operational issues;
  - Establishing regular meeting times to be held without the presence of administrators. This type of session is common on many Boards and simply allows a Board to discuss any management concerns or issues freely; and
  - Continuing the use of Board self-evaluations to improve the overall functioning of the Board.

Chapter III

Legislation and Policy

- That the Department consider moving quickly to put in place appropriate legislation to address ALCs in Manitoba. This legislation should ensure clarification of the following:
  - the role and goals of ALCs in Manitoba;
  - the issues of ownership of assets, funding surplus, and responsibility for deficit;
  - responsibilities of ALCs, partnering School Divisions, and the Department; and
  - performance measures and accountability reporting.
- That the Department consider establishing a requirement that ALCs must be operated only by educators who have training in administration and/or site management.
- That the Department establish standards for the operation of an ALC covering student initial assessment and testing, the availability of technology, library and reference material, facility size and condition,

furniture requirements, administrator/coordinator qualification, etc., to ensure that ALCs are positioned to provide a comparable quality of education in comparable facilities.

- That the Department establish School Division and ALC standards for ALC records management covering the retention of admission, registration and student records, giving due consideration to the Freedom of Information and Protection of Privacy Act (FIPPA).
- That the Department provide guidance to School Divisions on the content of partnership agreements with ALCs.
- That the Department establish enrollment guidelines to clearly communicate the number of times an individual can be funded in an ALC.

Funding

- That the Department consider basing the amount of ALC funding on the educational delivery model to be used by an ALC. Sites using lower cost per student delivery models should be funded accordingly. A start-up inventory of equipment, furniture, textbooks and supplies could be included in the funding application. Further, a long-term business plan for each ALC should be requested as part of this application.
- That the Department reassess its decision to provide program funding of $625,000 for 2001/02 to an ALC that has demonstrated problems in providing learners with an appropriate quality of education.
- That the Department consider requiring that School Divisions previously partnering with an ALC provide an evaluation of that ALC for the Department's use in assessing whether this ALC would receive future funding. In turn, the evaluated ALC could supplement this with an action plan on how they would address any problematic issues.
- That prior to awarding funding to existing ALCs, Department staff ensure adequate facilities are in place. Further, that Department staff visit all existing and new ALCs within the first two weeks of operation to ensure that appropriate learning environments are in place.
- That the Department consider requiring ALCs to provide formal documentation as verification that they are established as not-for-profit entities prior to their being considered for funding in accordance with the new funding policy.

Monitoring

- That the Department establish appropriate performance measures to be used in formally monitoring the success of ALCs in providing quality education to adult learners. These measures should be used to determine whether continued funding is justified.
- That the Department ensure that records identify the ALC students and which ALC site they attend for success rate monitoring.

- That the Department ensure that ALCs are using certified teachers in accordance with the Public Schools Act.
- That the Department approve Limited Teaching Permits only where a demonstrated need is proven.
- That the Department define and clearly communicate to School Divisions and ALCs the conditions under which funding would be revoked or denied (i.e., use of uncertified teachers, lack of enrollment, poor success rates, etc.), and that the Department apply the conditions consistently.
- That should the Department become aware of problems in ALCs, this information be substantiated and acted on in a timely manner by Department staff, even to the extent where funding is withdrawn.
- That the Department ensure that School Divisions have appropriate policies and procedures in place to guide their management of the ALC partnership relationship.
- That the Department consider requesting annual audit reports on ALC operations from ALCs covering the following:
    - Enrollment;
    - Performance Measures;
    - Financial Statements; and
    - Public Sector Compensation Disclosures.
- That the Department define the scope of audit work required for enrollment and performance measurement, and that financial statements be prepared in accordance with Generally Accepted Accounting Principles.
- That disclosure of compensation for not-for-profit employees should be made in compliance with the Public Sector Compensation Disclosure Act.
- That the Department seek legal advice with respect to requesting a return of monies from any School Division where they are aware that enrollment figures were overstated.
- That the Department implement a system of control where the Mature Student High School Diplomas are only distributed to authorized locations. All diplomas should have an identifying number to allow control over issuance.

Investigation of an Adult Learning Centre

("The Program")
in Morris-Macdonald School Division #19

Chapter I

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1.0 Chapter Summary

The Office of the Provincial Auditor (PAO) received a request on March 29, 2001 from the Deputy Minister, Manitoba Education, Training and Youth, to investigate allegations involving an Adult Learning Centre (ALC) called the African Immigrant Program, and later known as Classroom 56, operating as a program within Morris-Macdonald School Division #19 (MMSD). The allegations concerned overstated student enrollment for receipt of provincial funding, and significant problems with quality of education and administration practices in this ALC. Throughout this report, this ALC will be referred to as "The Program".

The Program commenced operation in September 2000 as an ALC operated by Higher Opportunities for People through Education Inc. (HOPE), incorporated July 27, 2000 as a for-profit entity. MMSD partnered with HOPE under a private/public partnership contract to deliver adult learning programs at various locations in Winnipeg. The Program was one of ten ALCs operated by HOPE in Manitoba in the 2000/01 school year, of which eight were partnered through MMSD.

In total, approximately $750,000 of public monies was directed into The Program during the 2000/01 year.

Our investigation confirmed that the majority of allegations have substance. The Program lacked proper planning, management and organization. As a result, students who attended The Program were not provided with an environment conducive to good learning. Further, our investigation found that student enrollment was significantly overstated resulting in an overpayment of provincial funding.

Relying on the delegated authority concept of site-based management, MMSD did not have adequate policies, procedures and controls to ensure that quality education was offered at this ALC, neither initially with HOPE, nor later when the Division assumed direct responsibility for The Program.

As a result of this investigation, the following recommendations are provided:

- *That the Department seek legal advice on the appropriateness of MMSD providing it with student enrollment numbers that MMSD knew, or should have known, were significantly overstated. Further, MMSD's School Board should seek legal advice on the appropriateness of its administrators and/or the administrators of The Program providing MMSD with enrollment figures that they knew, or should have known, were significantly overstated.*
- *That the Department consider requesting reimbursement from MMSD for overfunding of an amount between $488,900 and $613,300, representing the difference between MMSD's FTE funding submission in December 2000 and our FTE estimate for The Program of between 50 and 100 student FTEs.*
- *That MMSD consider adjusting the administrative allowances paid to MMSD staff for The Program's enrollment by between $4,500 and $5,700 to reflect the reduction in The Program's enrollment.*
- *That the Department defer decisions with respect to providing future funding to any ALCs operated by those responsible for the day-to-day*

operation of The Program until those responsible have presented an operating strategy and plan to satisfy the Department that issues, such as those discussed in this report, will not reoccur.

- *That the Department reassess its decision to fund HOPE for 2001/02. HOPE was the originator of The Program, used non-certified individuals, and did not provide appropriate facilities, nor had materials (textbooks, supplies, curriculum documents) in place to meet the requirements to offer The Program in September 2000.*
- *That MMSD take steps to ensure that the compensation of teaching assistants is consistent throughout the Division and in all its ALCs.*
- *That the Superintendent obtain a copy of the second consulting report on The Program forthwith and provide a copy to the Department together with such commentary and analysis as is considered appropriate.*
- *That MMSD consider requesting reimbursement of the $1,900 application submission fee and the $1,000 incorporation fee paid by MMSD on behalf of two employees of The Program for their partnering arrangements with another School Division.*
- *That MMSD consider obtaining legal advice respecting its right to recover the $25,000 advanced to HOPE for a summer program that provided a deficient quality of education.*

A School Division remains ultimately responsible for ensuring the quality of education being offered and provided through their partnered and owned ALCs, as well as being financially accountable for the expenditure of public monies.

This investigation serves to illustrate the many issues that can arise when private/public partnerships and entrepreneurial practices in education are not managed effectively.

1.1 Introduction

1.1.1 REQUEST

On March 29, 2001 the Office of the Provincial Auditor (PAO) was requested by the Deputy Minister, Manitoba Education, Training and Youth to investigate allegations regarding an Adult Learning Centre (ALC) called the African Immigrant Program, and later known as Classroom 56, operating as a program within Morris-Macdonald School Division #19 (MMSD). The allegations concerned overstated student enrollment for receipt of provincial funding, and significant problems with quality of education and administration practices in this ALC. Throughout this report, this ALC will be referred to as "The Program".

Section 17(4) of The Provincial Auditor's Act permits the Provincial Auditor to perform an inspection audit in respect of a recipient of public monies such as MMSD. On March 30, 2001, we formally agreed to investigate the allegations.

1.1.2 SCOPE

Our work consisted of such examinations and procedures that we determined were necessary to address the allegations raised, and any other issues that arose during the course of this investigation. Our investigation covered the period July 1, 2000 to June 30, 2001. Appendix B contains a listing of specific terms used in this report.

This investigation was conducted from April to June 2001 and included extensive interviews, analysis of financial information, and a detailed review of correspondence and other supporting documentation. We interviewed the Site Coordinators, teachers and students of The Program, representatives of Higher Opportunities for People through Education Inc. (HOPE), MMSD School Trustees, former and current staff of MMSD, and former and current senior staff in Manitoba Education, Training and Youth (the Department).

We engaged KPMG Investigation and Security Inc. and an Education Consultant to work with our office in this investigation.

1.2 Background

1.2.1 THE PROGRAM

The Program commenced operation as an ALC at 510 Sargent Avenue in September 2000. It was operated by HOPE, incorporated July 27, 2000 as a for-profit entity. HOPE had partnered with MMSD under a private/public partnership agreement to deliver adult learning programs at various locations in Winnipeg. The HOPE website states that:

> *"HOPE is an educational organization that supports ALCs throughout Manitoba. These ALCs offer adult students the opportunity to gain a Department of Education, Mature Student High School Diploma in a learning environment that reflects the learners' needs. The common framework that HOPE education sites work under is small size, community supported, open-access, and no fees."*

The Program was one of ten ALCs operated by HOPE in Manitoba in the 2000/01 school year, of which eight were partnered through MMSD. The Mission Statement for The Program read as follows:

> *The African Immigrant Program is an educational organization that is committed to working in partnership with individual groups, school divisions, government agencies, private sector and community organizations to:*
>
> - *Offer adult students the opportunity to gain a Department of Education Manitoba, Mature Student High School Diploma in a learning environment that reflects the learners' needs.*
> - *Provide personal development opportunities, which are quality, flexible and relevant to inner-city participants and the community.*

There were considerable problems identified at the beginning of the 2000/01 school year at The Program. These included poor facilities; lack of textbooks, curriculum, supplies and equipment; poor organization and management of the ALC; and lack of students. The current Superintendent requested a review of the problems. As a result, MMSD assumed direct responsibility for operation of this site on November 15, 2000, with the Principal of Sanford Collegiate being assigned responsibility for management of this location. The Program was subsequently relocated to 346 Donald Street.

HOPE had dismissed their Site Coordinator on October 31, 2000. This individual was re-hired by MMSD to continue in the day-to-day operations of The Program. A settlement of monies under the initial agreement between HOPE and MMSD was finalized on May 3, 2001. Discussions around the ownership of physical assets are continuing between HOPE and MMSD.

1.2.2 FUNDING CONDITIONS FOR PUBLIC MONIES

Adult learning is an expanding component of the education and training system in Manitoba. Its evolution has resulted in increased funding requirements. For the purpose of this report, we consider an ALC arrangement prior to 2001/02 funding to encompass the following:

- A partnership between a School Division and a for-profit or not-for-profit organization to operate a facility to provide adult education intended to lead to the issuance of the Department's Mature Student High School Diploma;
- The School Division accesses per student enrollment funding from the Department based on a September 30th enrollment filing that includes ALC students; and
- The School Division retains a portion of the funding and the remainder is made available to the ALC for its educational budget.

This arrangement enabled School Divisions to earn revenue, while ALCs were able to access government funding and have student course credits awarded through a sponsoring high school within the School Division. Within existing legislation in Manitoba, the ALCs are not able to obtain direct funding or issue course credits in Manitoba without partnering with a School Division.

In accordance with the Department's *Schools Finance Branch Funding Booklet for 2000/01*, conditions of ALC funding were as follows:

- Courses must be taught by certified teachers;
- A Principal of the supervising School Division is responsible for the ALC;
- Credits and diplomas can only be granted by the supervising Principal; and
- The ALC must be approved by the Minister, Education, Training and Youth.

1.2.3 EDUCATIONAL SITE PARTNERSHIP AGREEMENT BETWEEN MMSD AND HOPE

On June 30, 2000 a partnership agreement was signed by MMSD and HOPE to be effective from July 1, 2000 to June 30, 2001. HOPE's responsibilities under the agreement were to operate ALCs in various locations in Manitoba. MMSD's responsibilities were to award credits and issue the Department's Mature Student High School Diploma to the students.

MMSD's responsibility for supervising The Program was delegated by the School Board to the Principal of Sanford Collegiate, who was responsible for all partnered ALCs attached to Sanford Collegiate.

The following conditions were reflected in the MMSD/HOPE partnership agreement:

- All teaching staff were required to possess a valid teaching certificate issued by the Teacher Certification and Records Branch of the Department;
- All teaching staff were to come within the scope of the current collective agreement between MMSD and the Morris-Macdonald Teachers' Association #19 of the Manitoba Teachers' Society;
- All site teachers were to be supervised and evaluated by a Site Coordinator;
- Funding was to be based on September 30th enrollment. Monthly enrollment data was to be reported by HOPE to MMSD through the responsible Principal;
- The Program was to be administered under the direction of the Principal of Sanford Collegiate and the HOPE Site Coordinator;
- Responsibility for the administration of provincial standards tests and examinations and reporting enrollment data and student marks to the Department for the educational site program was assigned to the Principal of Sanford Collegiate. Granting of provincial graduation diplomas and issuing of mark transcripts to students enrolled in the educational site program were also to be under the direction of the Principal of Sanford Collegiate;
- Educational site funding was to be allocated as follows:
    - MMSD was to access the provincial student grants based on September 30th enrollment;
    - MMSD would then retain an administration fee based on the September 30th enrollment of the site. The fee was to be calculated as follows:
        a) $225 per full-time equivalent (FTE) student for the first 3,000 students divisionally;

b) If the total enrollment exceeded 3,000, a reduced FTE fee for all students was to be calculated based on division costs and other allocations; and
c) The total administration fee would be based on each Site's enrollment at September 30th.

- The balance of the funds would then be used to establish each educational site's budget.

- HOPE's Program Site Coordinator was to submit expenditure claims to MMSD as required by MMSD's Secretary-Treasurer;
- MMSD was responsible for payment of all salaries and purchases relating to each site's operations; and
- Failure by HOPE to honor the conditions of this agreement could result in loss of, or retention of funding by MMSD, or dissolution of the partnership agreement.

1.3 Student Enrollment Funding

The Department provided funding for the 2000/01 school year to MMSD based on the September 30, 2000 enrollment figures submitted by the Division. The declaration from MMSD reported a figure of 301.5 FTE students as the appropriate figure reflecting The Program's enrollment and was filed December 22, 2000. This translated into $750,200 ($2,488 per student) in funding. MMSD retained $67,800 as an administration fee. The remaining $682,400 was allocated as The Program's budget.

We note that between January and June 2001, the FTE figure of 301.5 was reduced to 296.5 as a result of normal Department adjustments for duplicate FTEs. For the purpose of this report 301.5 FTEs as per the MMSD December 2000 submission will be referred to when discussing FTE funding at The Program, unless otherwise noted.

1.3.1 ALLEGATIONS

We received the following allegations with respect to the student enrollment of The Program:

- September 30, 2000 enrollment figures which formed the basis for provincial funding were significantly overstated;
- The student registration listing was not supported by valid registration forms; and
- Attendance records were either not maintained properly, or were adjusted to reflect higher attendance for the period September 2000 to March 31, 2001.

In order to investigate these allegations, we reviewed the September 30, 2000 enrollment figures, as well as The Program's registration forms and attendance records. Information was obtained through an analysis of enrollment information, interviews with HOPE

representatives, the Site Coordinator, Lead Teacher, former teachers and students of The Program, and through discussions with former and current MMSD staff. A review of correspondence and other documentation was conducted. The results are summarized in the following sections.

1.3.2 REVIEW OF SEPTEMBER 30, 2000 ENROLLMENT FIGURES

Findings

- The listing submitted to MMSD of 301.5 FTEs (approximately 318 names) assumed that nearly all students would be attending full-time throughout the school year. The assumption that all students were taking a full course load of six credits was unrealistic given the nature of adult education.
- Interviews with former teachers of The Program indicated that the Principal of Sanford Collegiate should have been aware of low enrollment early in October 2000.
- A review of HOPE documentation indicated that HOPE anticipated a loss from The Program based on 60 students in attendance to the end of October 2000. Lack of students was cited as a concern.
- A November 4, 2000 letter from HOPE to the Principal of Sanford Collegiate highlighted that HOPE's intent was to implement a marketing plan for the 300 students on the list.
- A HOPE document dated November 5, 2000 indicated the following, *"There are approximately only 50 day students showing up regularly. It is not possible to say that the site, lack of resources, lack of baby-sitting, is the sole result of 270 students being unaccounted for."*
- Only 25 of the students on the September 30, 2000 listing were in attendance in May 2001. If 301.5 FTEs was a realistic figure, this would have translated into a dropout rate of 92% from the original student enrollment listing.
- Paid employees of The Program were also enrolled as full-time students. This included a Day Secretary and two teaching assistants.
- Between April and June 2001, our Education Consultant conducted 15 site visits to The Program and counted attendance 12 times. The average number of students observed in class was 8, ranging at various times between 1 and 24.

Conclusions

- The listing of approximately 318 students, converting into 301.5 FTEs significantly overstated enrollment at The Program.
- We estimate that there were likely less than 50 students in attendance at September 30, 2000. Our review of available attendance data indicates that subsequent to September 30, 2000, student attendance likely never exceeded 100 students and was usually lower.

1.3.3 REVIEW OF REGISTRATION FORMS

Findings

- We had difficulty obtaining a complete set of registration forms to support the original enrollment listing. MMSD did not have a complete set on file. We obtained registration forms from a Division employee's home, The Program location on Donald Street, and from HOPE.
- There was no consistent, organized registration process followed.
- A suitable registration form was not used.
- 143 of the registration forms were not signed by potential students. This represents approximately 46% of the names on the initial registration listing.
- There were no registration forms for 15 of the names on the listing.
- Registration forms did not identify student course selection. This information is necessary when calculating FTEs for funding purposes.
- There were no controls and no central repository for student registration forms. As well, there was no policy and no independent review of these forms. MMSD did require all ALCs to use the Trevlac System. Integrity of the Trevlac System (see Appendix B) is only as reliable as the information entered, which in this case should have been supported by appropriate registration forms.

Conclusion

- The registration process and forms were inadequate to provide support for the actual number of students and course enrollments.

1.3.4 REVIEW OF ATTENDANCE RECORDS

Findings

- From September 2000 to January 2001, The Program did not maintain appropriate attendance records.
- Only incomplete attendance records were available from February 2001 to early May 2001. The available records indicate that attendance was inconsistent and ranged between 32 and 65 students on any one day.
- HOPE did not provide site-based Monthly Enrollment Reports specifically for The Program as required by its agreement with the Division, but did submit consolidated Monthly Enrollment Reports, which combined The Program with other site enrollment figures.
- The Program did not submit any Monthly Enrollment Reports to MMSD after the split from HOPE.

- We obtained attendance information maintained separately by teachers at The Program, which indicated that attendance never exceeded 100 students at the site.

Conclusions

- Attendance records and reporting were inadequate to provide reliable information.
- HOPE did not meet its obligation under the HOPE/MMSD Partnership Agreement to provide site-based attendance information on a timely basis.
- After weighing the available evidence, and taking into account that the attendance records were inadequate, we estimate that attendance at The Program never exceeded 100 students.

1.4 Quality of Education

We worked with an Education Consultant in the review of allegations around quality of education. The review was conducted taking into account basic principles for quality of education, which include, but are not limited to the following:

- Students are to be taught by certified, competent, professional and compassionate teachers;
- The prescribed curriculum should be followed with the flexibility to meet individual learning needs;
- Adequate, up-to-date texts and other materials should be available for the prescribed curriculum. This includes information technology, library and other reference materials;
- Opportunities are provided for teachers and other staff to have meaningful professional development opportunities and activities;
- Teamwork involves teaching staff, students, teaching assistants and administrators all working to the same end – success for the students;
- A school/classroom environment that is positive, provides for the opportunity to learn and grow, respectful of individuality, directed with a sense of purpose, and which provides a sense of belonging;
- A workplace that is free of harassment for students and for teachers; and
- An adequate and equitable pay and benefit structure that follows a collective agreement.

1.4.1 ALLEGATIONS

We received the following allegations with respect to the quality of education provided by The Program:

- Non-certified individuals were teaching students;
- Appropriate curriculum was not always used;

- Supplies and textbooks were not available; and
- Teachers' compensation was inconsistent with the MMSD Collective Agreement.

In order to assess the nature of instruction at The Program, interviews were conducted with teachers, teaching assistants, coordinators and students, and correspondence and certification information was reviewed. Numerous visitations were conducted to The Program where classes in progress were observed. We also reviewed availability of curriculum frameworks of outcomes. The results are summarized in the following sections.

In general, we concluded that the above allegations were valid and that the overall quality of education provided by The Program was deficient. As a result, the validity of some of the education credits and possibly some of the diplomas awarded through The Program may be questionable.

1.4.2 USE OF NON-CERTIFIED INDIVIDUALS TO TEACH CLASSES

Findings

- Non-certified individuals were observed to be instructing students on at least 13 different occasions after the start of this investigation.
- Correspondence confirms the use of non-certified individuals teaching at The Program.
- Students indicated that certain teaching assistants were the only persons teaching their classes.
- When interviewed, neither the Site Coordinator nor the Lead Teacher were able to communicate an understanding of the proper role of a teaching assistant in a classroom. They advised us that they were unaware of the legislative requirements for teaching assistants, and that they were unaware of the Manitoba Teachers' Society booklet on the use of paraprofessionals, *Help At Last: Paraprofessionals in Your School*. Both confirmed that teaching assistants had in fact acted as teachers.
- One individual teaching at The Program was denied a Limited Teaching Permit, but continued to teach classes.
- Certified teachers whose term positions were not renewed, and who were subsequently replaced by permit teachers or by teaching assistants, had not been evaluated.
- One of the certified teachers was under contract with three teaching institutions. As a result of his absence at The Program, non-certified individuals taught his classes.

Conclusions

- The use of non-certified individuals to teach classes (i.e., English, Mathematics, Physics/General Science) and doing so unsupervised by a certified teacher is contrary to the Education Administration Act.

- The Site Coordinator and the Lead Teacher were not able to demonstrate an awareness of their responsibility to ensure that certified teachers teach classes. This likely contributed to the continued use of non-certified individuals teaching classes.

1.4.3 ASSESSMENT OF CURRICULUM USED

Findings

- The agreement between HOPE and MMSD required that all course curriculum eligible for credit must follow Department approved curriculum frameworks of outcomes.
- Teachers, the Lead Teacher and the Site Coordinator advised us that they had not received any curriculum information until mid-November 2000.
- During site visits by our Education Consultant, no curriculum frameworks of outcomes were observed to be available to teachers in the core subjects with the exception of the Senior 4 English Language Arts Manitoba Curriculum Framework of Outcomes and Senior 4 Standards (purchased March 19, 2001) which was in the English Language Arts classroom area.
- English Language Arts, as taught by a teaching assistant, was not at the level expected of a Senior 4 class. On at least six different observations, the only activity noted was students reading aloud to a teaching assistant with others following along, as well as conversation about a number of non-English Language Arts related subjects.
- In many cases Independent Study Modules prepared by the Independent Study Branch of the Department were being used by teaching assistants to teach classes. These are not intended for classroom use. The curriculum may have been followed, but it is not likely that unsupervised teaching assistants have the in-depth subject-area knowledge and methodological expertise to assist students even using these modules.

Conclusions

- The curriculum being used was generally inconsistent with the requirement for receiving education credits. Accordingly HOPE did not meet its obligation under the HOPE/MMSD Partnership Agreement during its involvement in the Program. As well, MMSD did not meet its responsibility to ensure that an appropriate quality education was being provided.
- The use of Independent Study Modules in The Program was inconsistent with the basis of funding which was intended to provide for teacher-student instruction.

1.4.4 ASSESSMENT OF SUPPLIES AND TEXTBOOK AVAILABILITY

Findings

- Interviews with several teachers and students confirmed that at the commencement of classes in September 2000, there were no textbooks available for The Program.
- During the first four months of the school year, only $982 was spent on textbooks. Provincial funding provided $50 per student for textbooks. Additional textbooks were not ordered until late in 2000 and were not delivered until January 2001 or later.
- In one circumstance, students told us they were asked to purchase a textbook even though it was represented that all textbooks at The Program would be provided.
- On May 2, 2001, an inventory of textbooks at The Program was taken by our Education Consultant. The number of copies of textbooks on hand ranged from 1 to 24 and a class set existed in only one course.
- An inventory of furniture and supplies was also taken on May 2, 2001. There were minimal chairs, tables and whiteboards in the facility, most of which were in very poor condition. The amount of furniture would have accommodated our estimated figure of 100 students. Other supplies such as paper and lab equipment were virtually nonexistent.
- A photocopier was available, but we were advised it was often out of service and some teachers were not allowed to use it directly. A letter from the Site Coordinator to staff indicated that 24 hour notice for use was required.
- A library with appropriate books and other reference materials was virtually nonexistent. Actual expenditures to April 30, 2001 on library books and reference materials amounted to only $56. Provincial funding provided $90 per student for these types of purchases.
- A networked and Internet-accessible computer lab was only established late in the school year in March 2001.
- The Program had purchased General Equivalency Diploma (GED) materials that are not part of the Manitoba high school curriculum.
- A language lab with about 40 stations was available, but it was never observed in use at any of our visits to The Program.

Conclusions

- Our assessment of the availability of supplies and textbooks indicates that the ability of The Program to deliver an appropriate quality of education was placed at substantial risk as a result of the following:
    - In our opinion, supplies, textbooks and reference material were insufficient for even the 100 students we have determined would have been the maximum in attendance at The Program. Supplies and

textbooks were inadequate to support an appropriate quality of education and their availability did not match provincial standards.

- Although there was appropriate and sufficient furniture to handle our estimated figure of 100 students, there was certainly not enough to handle the funded 301.5 FTEs.
- An appropriate library with reference material was not available for students to support a conducive learning environment.
- Appropriate technology was not available for student and teacher use for most of the time The Program operated.

1.4.5 TEACHER COMPENSATION ISSUES

Findings

- A review of MMSD payroll records highlighted that two individuals listed as teacher assistants for The Program were paid at a rate equivalent to a certified teacher. These individuals were non-certified and were observed to be teaching unsupervised during our visits to The Program. This rate of compensation for teacher assistants is approximately double the norm for teacher assistants.
- A third non-certified individual was teaching at The Program while it was still operating under HOPE at a rate equivalent to a certified teacher.

Conclusions

- Compensation for certain non-certified individuals (teaching assistants) at The Program was inconsistent and, in some cases, exceeded the norm for teacher assistants.

1.5 Additional Quality of Education Issues

As a result of information obtained during our investigation, we reviewed the following additional issues:

- Physical conditions of facilities;
- Teacher recruitment process; and
- Use of assessment tools.

1.5.1 THE PROGRAM'S PHYSICAL FACILITIES

Findings

- When operated by HOPE, The Program was initially located at 510 Sargent Avenue. We received many comments regarding the poor conditions that existed at that location including the lack of washroom facilities and the presence of mice. At the request of the current Superintendent, MMSD staff inspected the site on November 2, 2000 and noted numerous safety and electrical issues. We were advised by MMSD staff that the premises

would not have met fire, safety, occupancy or other associated codes at September 2000.

- The Program was relocated by MMSD to 346 Donald Street on December 4, 2000. The Donald Street location was inspected January 18, 2001, and no significant problems were identified by MMSD.

Conclusion

- An appropriate facility for The Program was not in place at the start of the school year and up to December 4, 2000.

1.5.2 TEACHER RECRUITMENT PROCESS

Findings

- Interviews of teachers indicated that people who were known by the Site Coordinator and/or the Lead Teacher were asked to apply for teaching positions, and it was represented to them that they would be given a Limited Teaching Permit.
- A review of teacher files from MMSD confirmed that teaching positions in The Program were not advertised. Yet, Limited Teaching Permits were applied for and granted on the basis that certified teachers were not available.
- The current Superintendent had directed that MMSD teacher recruitment policy was to be followed by all ALCs.
- Non-educators were interviewing and making recommendations for hiring teaching staff.
- In discussions with Department officials, it was learned that the issuance of further Limited Teaching Permits for instructors of The Program had been curtailed by the spring of 2001.

Conclusions

- Vacant teaching positions were not advertised and staffed in accordance with MMSD policy.
- The Program was unable to demonstrate that it was necessary to hire non-certified individuals with Limited Teaching Permits. We believe that if appropriate advertising and staffing practices were followed, certified teachers could have been found to fill these positions.

1.5.3 USE OF ASSESSMENT TOOLS

Findings

- HOPE representatives indicated that they did not believe in assessments of any kind for adult students, nor in any type of screening.

- Interviews with representatives of HOPE, MMSD staff, and teachers of The Program confirmed that no assessment tools were used to determine the appropriate assessment and placement of students. This type of process would normally be conducted to assess the educational level of an adult student, to determine student readiness and the level at which they should enter The Program.

Conclusion

- Students have a right to be enrolled in courses for which they have the skills and knowledge to have a reasonable opportunity to succeed. The absence of assessments at The Program created an undue risk that students might not be positioned at the onset to succeed.

1.6 MMSD Responsibilities for The Program

Subsequent to our review of issues at The Program, we assessed MMSD's role and responsibilities as the sponsoring School Division for The Program. We reviewed the following:

- Appropriate enrollment submission to the Department;
- Appropriate monitoring of The Program;
- Appropriate monitoring of a Summer Program in 2000;
- Appropriate use of The Program funds; and
- Administrative allowances.

In order to assess these issues, we conducted interviews with the Site Coordinator, Lead Teacher, and former teachers of The Program, current and former MMSD staff, and HOPE representatives. As well, we reviewed available correspondence, documentation and financial information. The results are summarized in the following sections.

1.6.1 SUBMISSION OF STUDENT ENROLLMENT FIGURES TO THE DEPARTMENT

Findings

- As noted in Section 1.3, we have determined that the September 30, 2000 enrollment figure of 301.5 FTEs provided to MMSD by The Program was significantly inflated. Specifically, we estimate the attendance at September 30, 2000 was likely less than 50 FTEs and that no more than 100 students were ever in attendance.
- In October 2000 MMSD became concerned that enrollment in its ALCs, including The Program, may have been overstated, and contracted a consulting firm to conduct a phone survey of registrants.
- On November 4, 2000 HOPE wrote to the Principal of Sanford Collegiate in MMSD describing HOPE's intention to implement a marketing plan for the students on the enrollment list.
- The consulting firm's report was provided in December 2000 for all MMSD ALCs. This report is discussed in detail in Chapter II.

- A second version of the consulting firm's report came to our attention during our investigation. MMSD's Secretary-Treasurer indicated he had requested the consulting firm to revise the initial report to split out The Program enrollment figures from HOPE's total. This second version indicated that The Program was comprised of 59 students. No explanation could be provided as to why the report only showed 59 students in The Program and not the 318 students on the original student listing. We made further inquiries regarding this report of other MMSD staff and Trustees who indicated that they were not aware of its existence.
- On December 22, 2000 MMSD submitted an enrollment declaration to the Department which stated the enrollment for The Program to be 301.5 FTEs.

Conclusions

- MMSD submitted an enrollment declaration to the Department that its administrators knew, or should have known, was significantly overstated. If the correct enrollment figures are assumed to be between 50 and 100 FTEs, the overbilling to the Province amounts to between $488,900 and $613,300.
- It was inappropriate for the consulting firm's second report, showing 59 enrolled students in The Program, to not have been provided to the MMSD Superintendent, Trustees or the Department.

1.6.2 MONITORING AND QUALITY ASSURANCE

Findings

- MMSD is authorized under provincial legislation to issue education credits and graduation diplomas. This imposes an obligation on MMSD to ensure that the quality of education provided warrants the issuance of education credits and graduation diplomas. It also imposes a requirement that MMSD ensure that there is a sufficiently rigorous assessment process in place to determine whether individual students have met the requirements to earn an education credit or graduation diploma.
- The Principal of Sanford Collegiate knew, or should have known, that the quality of education being provided at The Program was deficient. As noted elsewhere in this report, evidence of the poor quality of education is provided by the fact that non-certified individuals were, in many cases, teaching classes. There were insufficient textbooks and resource materials in instances noted by our Education Consultant, and the level of classroom instruction was inadequate. These problems continued to June 2001.
- MMSD did not have formal documented policies and procedures in place for monitoring The Program and ensuring that an appropriate quality education was being provided.
- MMSD did not have a finalized budget for The Program until December 2000.

- The finalized budget was not provided by MMSD to HOPE initially, nor later to the Site Coordinator of The Program.
- Budget to actual expenses to April 30, 2001 for The Program is detailed in Appendix A, indicating that The Program was underspent by $199,000 (29%).
- No expenses were incurred for teacher professional development. ALCs are allocated provincial funds of $23 per FTE for teacher professional development.

Conclusions

- MMSD did not monitor The Program appropriately.
- MMSD did not ensure that the requirements of the Public Schools Act and regulations were met at The Program.
- MMSD administrators did not sufficiently act on knowledge they had, or should have had, that the quality of education being provided by The Program was deficient.

1.6.3 MONITORING OF A HOPE SUMMER PROGRAM IN 2000

Findings

- MMSD provided approximately $25,000 to HOPE for funding of a summer program conducted in July and August of 2000. HOPE was not a legal entity until July 27, 2000.
- There was no formal Educational Site Partnership Agreement in place between MMSD and HOPE for this summer program.
- MMSD did not monitor this summer program in any way.
- MMSD did not hire the teachers at this program, and two non-certified individuals were used to deliver courses.
- Correspondence indicated that the appropriate number of teaching hours were not provided to students at the summer program.
- As of the spring of 2001, the Principal of Sanford Collegiate had not approved the issuing of education credits for specific students completing courses in the summer program. However, 32 summer credits were submitted within HOPE's June 2001 credit submission for 26 students without Principal approval.

Conclusions

- MMSD did not monitor the summer program, nor did they ensure that the requirements of the Public Schools Act and regulations were met.
- The quality of education provided by the summer program was deficient. Therefore, the validity of summer course credits issued is questionable.

1.6.4 USE OF MMSD FUNDS IN SUPPORT OF AN ALC FOR ANOTHER SCHOOL DIVISION

Findings

- MMSD paid a consultant $1,900 to prepare a submission to the Department on behalf of two employees of The Program. The submission was an application by the two employees to operate an ALC in another Division for 2001/02.
- MMSD paid approximately $1,000 for the incorporation of the ALC referred to above on behalf of the two employees of The Program.

Conclusion

- Using MMSD funds to pay for the consulting and incorporation costs associated with an ALC that would operate in another School Division was inappropriate.

1.6.5 ADMINISTRATIVE ALLOWANCES RELATED TO THE PROGRAM

Findings

- Under the terms of the collective agreement between MMSD and the Morris-Macdonald Teachers' Association #19 of the Manitoba Teachers' Society, administrative allowances are paid to certain MMSD staff based on ALC enrollment figures.
- Given the enrollment figures for The Program, the Principal and two Vice-Principals of Sanford Collegiate received administrative allowances totaling $6,830.

Conclusion

- Based on our estimate of the extent to which enrollment was overstated, we estimate that the administrative allowances were overpaid by between $4,500 and $5,700. (Note that this calculation is based on the 296.5 FTE figure used by the Department.)

1.7 Recommendations

- That the Department seek legal advice on the appropriateness of MMSD providing it with student enrollment numbers that MMSD knew, or should have known, were significantly overstated. Further, MMSD's School Board should seek legal advice on the appropriateness of its administrators and/or the administrators of The Program providing MMSD with enrollment figures that they knew, or should have known, were significantly overstated.
- That the Department consider requesting reimbursement from MMSD for overfunding of an amount between $488,900 and $613,300, representing the difference between MMSD's FTE funding submission in December 2000 and our FTE estimate for The Program of between 50 and 100 student FTEs.
- That MMSD consider adjusting the administrative allowances paid to MMSD staff for The Program's enrollment by between $4,500 and $5,700 to reflect the reduction in The Program's enrollment.
- That the Department defer decisions with respect to providing future funding to any ALCs operated by those responsible for the day-to-day operation of The Program until those responsible have presented an operating strategy and plan to satisfy the Department that issues, such as those discussed in this report, will not reoccur.
- That the Department reassess its decision to fund HOPE for 2001/02. HOPE was the originator of The Program, used non-certified individuals, and did not provide appropriate facilities, nor had materials (textbooks, supplies, curriculum documents) in place to meet the requirements to offer The Program in September 2000.
- That MMSD take steps to ensure that the compensation of teaching assistants is consistent throughout the Division and in all its ALCs.
- That the Superintendent obtain a copy of the second consulting report on The Program forthwith and provide a copy to the Department together with such commentary and analysis as is considered appropriate.
- That MMSD consider requesting reimbursement of the $1,900 application submission fee and the $1,000 incorporation fee paid by MMSD on behalf of two employees of The Program for their partnering arrangements with another School Division.
- That MMSD consider obtaining legal advice respecting its right to recover the $25,000 advanced to HOPE for a summer program that provided a deficient quality of education.

Comments from MMSD

Because of the manner in which the allegations came forward, MMSD has not had the opportunity to fully investigate. Had the allegations gone through the Superintendent/CEO to the Board, MMSD would be better positioned to deal with the issues contained in this report, as the Office of the Provincial Auditor has done.

MMSD has cooperated fully with the Office of the Provincial Auditor.

MMSD has five priority areas, of which student achievement is the top priority. MMSD has developed student achievement assessments in mathematics from Kindergarten to Senior 4, and these are under development for English language arts. This MMSD emphasis on student achievement and assessment contradicts the approach taken by the ALC partner.

MMSD did not offer HOPE or The Program the opportunity to partner in 2001/02. The content of this February 2001 Board motion was communicated to HOPE and The Program in the Spring of 2001.

It is the intention of the Board of Trustees and the current Superintendent/CEO to undertake a review of the issues raised in this report and implement any actions deemed appropriate.

Comments from Department

- *The Department will seek legal advice on the appropriateness of MMSD providing it with student enrollment numbers that MMSD knew, or should have known, were significantly overstated. Further, the Department will be seeking appropriate reimbursement of funds provided to The Program.*

- *The 2001/02 funding decisions for ALCs were released on May 11, 2001. However, the Department withheld the funding decision for an ALC to be operated by The Program staff pending completion of the audit by the Office of the Provincial Auditor (PAO). They were advised that a decision would not be made until the Department was in receipt of the audit report. Based on the findings of the PAO, the Department will not fund this ALC in 2001/02, but will look for other program options to serve the needs of immigrant adults.*

- *During the 2001/02 funding adjudication process, and in subsequent months, the Department discussed with HOPE organizers the Department's expectations regarding program quality and accountability. HOPE was clearly made aware that its operations would be under intense scrutiny in the coming year. Based on the findings of the PAO, the Department will cease funding HOPE and develop alternative provisions for the learners in this ALC.*

- *In the 2001/02 funding criteria, ALCs were advised by the Department to pay teachers and administrators according to local School Division scale. An appropriate pay range for teaching assistants will be addressed in the 2002/03 funding criteria.*

Appendix A

BUDGET TO ACTUAL EXPENSES TO APRIL 30, 2001 FOR THE PROGRAM

Morris-MacDonald School Division
The Program
Actual Expenses for the Period July 1, 2000 to April 30, 2001

Expense Type	July 1, 2000 to June 30, 2001 Budget	July 1, 2000 to April 30, 2001 Actual	Variance to Date
Teacher Aides (Tutors)	$ 77,500	$ 83,519	$ (6,019)
Secretary Staff	48,480	35,854	12,626
Teachers	252,381	172,681	79,700
Benefits	15,500	17,656	(2,156)
	$393,861	$309,710	$ 84,151
Professional Services	-	13,995	(13,995)
Communications	-	2,831	(2,831)
Mileage	-	3,872	(3,872)
Subsistance	-	1,434	(1,434)
Copier Maintenance	-	1,404	(1,404)
Advertising	-	110	(110)
Legal Fees	-	7,490	(7,490)
Other Supplies	167,310	6,433	160,877
Other Equipment	-	3,875	(3,875)
Textbooks	15,075	10,350 *	4,725
Budget Adjustment	-	32,789	(32,789)
Computer Expenses	12,060	27,905	(15,845)
Library and Reference Books	27,135	56	27,079
Professional Development	6,935	-	6,935
Utilities	-	6,059	(6,059)
Rent	60,000	47,931	12,069
Maintenance and Repairs	-	6,297	(6,297)
Maintenance Supplies	-	593	(593)
Total	$682,376	$483,134	$199,242

Funding	
Total Provincial Support 2,488.27 x 301.5 (FTEs)	$750,213
Less: Division Administration Fee 225.00 x 301.5 (FTEs)	(67,837)
The Program Budget (2000/01)	$682,376

* Includes 79 student textbooks with an estimated value of $5,800. Remaining monies were for teacher materials received in 2001.

Appendix B

DEFINITIONS

ALC
Adult Learning Centre (also commonly called a Community Learning Centre). A non-traditional "school" where adults can complete their high school diplomas.

EAA
The Education Administration Act.

EIS
Education Information System. The system used by the Department, schools and School Divisions for the electronic reporting of enrollment (September 30th), Student Grades (after June 30th) and Teacher Activity Reports (twice per year).

FRAME
Financial Reporting and Accounting in Manitoba Education.

- Guidelines for all School Divisions in reporting education, fiscal and statistical information.
- Standardization for a common basis of information for use by the Department, School Divisions, school management and other interested groups.

FTE
Full-time equivalent. Refers to a student who is taking six funded courses. The Department will fund up to six courses only in one year/student.

GED
General Education Development. Commonly called a "high school equivalency". If completed no more than three years prior to enrolling as a mature student or while enrolled as a mature student a maximum of two credits may be granted toward the Mature Student High School Diploma.

Independent Study
Formerly referred to as correspondence school courses.

Mature Student High School Diploma
New guidelines were established in 1999 for Mature Student Graduation requirements: *"Manitoba Education and Training, with its commitment to lifelong learning, believes that it is important for adults to have additional opportunities to graduate from Senior Years."*

Eligibility

- Nineteen years of age at the time of enrollment: Students who reach the age of 19 before the completion of the course are also eligible.
- Out of school for a full year or more and out of school long enough that the class of which the student was last a member has graduated. Has not obtained a high school diploma.
- Requirements: Must complete a program consisting of eight credits – four at senior 4 level.

Appendix B
(cont'd.)

- Can attend full or part-time.
- Must have program approved in consultation with the principal of a school in the division of choice.
- No time limits to complete the program, although individual courses may have time limits.
- Must write provincial examinations or standards tests in compulsory core subject areas: Senior 4 Mathematics and English language arts.
- Although students may use credits for which they already have standing, they must complete at least one credit as a mature student to graduate.
- Senior 4 mathematics and English language arts must be completed for graduation.
- School divisions/districts and schools cannot set requirements for obtaining a Mature Student High School Diploma other than those set by the Department.
- Credits can be granted through the Distance Delivery Unit or through a school.

- Credit for previously completed courses
  - The principal of a school can assess students' previous learning experiences and determine transferability of credits.
  - Work experience, upgrading courses, GED completion, and other experience may be transferred to the student's record to reduce the number of required credits.

- The Diploma
  - A Mature Student High School Diploma and a transcript issued by the school will be granted upon completion of the Mature Student Graduation Requirements.

MTS
The Manitoba Teachers' Society.

PSA
The Public Schools Act.

Trevlac System
The administrative software program used by many schools in Manitoba to:
- Record all student information including demographics, course selections, timetables and credits completed.
- Record teacher information and teaching loads, student lists for courses taught, etc.
- Create reporting forms (report cards) for student grades.
- Track student attendance and many other administrative needs.

The program is compatible with EIS for the transmission of data to the Department concerning student enrollment, final grades (completed credits), and teacher workloads.

A Review of Adult Learning Centres in Morris-Macdonald School Division #19

Chapter II

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2.0 Chapter Summary

On March 29, 2001 the Office of the Provincial Auditor (PAO) was requested by the Deputy Minister, Education, Training and Youth to investigate allegations regarding an Adult Learning Centre (ALC) within Morris-Macdonald School Division #19 (MMSD). The results of that investigation are presented in Chapter I of this report.

Consequential to that investigation, we determined that it was appropriate to review MMSD's involvement in ALCs since 1997/98. This review considered ALC student enrollment, funding, quality of education, and administrative matters.

MMSD has been active in ALC partnerships since 1997. Between 1997/98 and 2000/01, MMSD received over $24.6 million in funding for approximately 7,850 ALC full-time equivalents (FTEs). MMSD accounted for nearly 60% of all 2000/01 ALC funding in Manitoba. For 1998/99 to 2000/01, MMSD awarded approximately 10,000 ALC course credits from a potential 46,900 ALC course credits for an average 21% course credit achievement rate.

MMSD's expansion into ALCs has been rapid. The former Superintendent along with the School Board expanded the Division's involvement in ALCs without the benefit of a strategic plan. The conclusions and recommendations in this report highlight the numerous issues that have arisen. Overall, MMSD provided inadequate monitoring to ensure that ALC student enrollment was accurate and that the students in all MMSD ALCs were provided with a comparable quality of education.

Legal correspondence provided to the Department of Education, Training and Youth (the Department) and obtained during our review states, *"The School Division cannot .... simply absolve itself of all responsibility by entering into an arrangement with a private sector corporation".*

As a result of this review, the following recommendations are provided:

- *That the Department consider requesting reimbursement from MMSD of at least $371,000 based on our extrapolation of the contracted survey results. This represents estimated MMSD ALC's FTE overstatements, excluding The Program. We used information that was available to MMSD and the Department in deriving this amount. Should the Department wish to review previous years' enrollment information, we recommend that additional audit procedures be conducted.*
- *MMSD should request attendance information from ALCs in order to determine the extent of any adjustment to FTE funding required for students that may have dropped out of ALCs prior to September 30,2000. If this information is not available, consideration should be given to estimating a student FTE reimbursement to the Department for a proportion of the 688 students based on a negotiated rationale.*
- *That the Department consider requesting MMSD to return the excess funding that was not required to operate the Entrepreneurial Technology and Education Centres (ETECs) program from inception to June 30, 2001 estimated at approximately $1.5 million.*
- *That MMSD revisit and seek to revoke the current ALC administrative allowance section of the Collective Agreement specifically regarding the*

payment of administrative allowances to school staff and ALC Directors based on ALC enrollment.

- *That MMSD consult with the Department regarding the disposition of assets and deficits of an ALC which will not be a partner in 2001/02.*
- *That MMSD develop a formal, Board approved, strategic business plan that outlines the direction the Division intends to follow concerning ALCs.*
- *That MMSD obtain legal advice to assist them in the preparation of an appropriate ALC partnership agreement to be used for future ALC partnerships.*
- *That MMSD clarify and communicate the roles of the Division and ALC sites with regard to their specific accountability responsibilities.*
- *That MMSD develop and implement formal policies, procedures and controls relating to the operations of ALCs. The Department should review MMSD policies, procedures and controls to further ensure that public monies are not put at risk.*
- *That MMSD adopt formal and consistent review procedures for ALC expense transactions.*
- *That MMSD ensure their ALC Site Directors/Coordinators have appropriate educational and/or administrative backgrounds.*
- *That MMSD establish performance measures and targets for ALC success rates such as course credit achievement rates, graduation rates, etc.*
- *That MMSD's School Board discuss and clarify a number of issues to improve their governance practices, including:*
    - *Ensuring that all Trustees have a common understanding of board roles, responsibilities and accountabilities;*
    - *Ensuring that a common understanding exists among all Trustees as to the administrative functioning of the Division and that the roles and responsibilities of all administrative positions have been clearly delineated;*
    - *Conducting an annual strategic planning exercise that clarifies the Board's goals and priorities for the Division;*
    - *Improving the teamwork approach of the Board. Trustees should work together in frank discussions to improve the level of trust that currently exists on the Board. Strategic planning exercises and the adoption of clear, agreed-upon priorities can also help to improve trust;*
    - *Establishing the Board's appropriate level of involvement in administrative or operational issues;*
    - *Establishing regular meeting times to be held without the presence of administrators. This type of session is common on many Boards and simply allows a Board to discuss any management concerns or issues freely; and*
    - *Continuing the use of Board self-evaluations to improve the overall functioning of the Board.*

2.1 Introduction

2.1.1 EXPANDED REVIEW

On March 29, 2001 the Office of the Provincial Auditor (PAO) was requested by the Deputy Minister, Education, Training and Youth to investigate allegations regarding an Adult Learning Centre (ALC) within Morris-Macdonald School Division #19 (MMSD). The results of that investigation are presented in Chapter I of this report.

Consequential to that investigation, we determined that it was appropriate to review MMSD's involvement in ALCs since 1997/98. This review considered ALC student enrollment, funding, quality of education, and administrative matters.

2.1.2 SCOPE

Our work consisted of such examinations and procedures that we determined were necessary to conduct our review. The period under review included the school years from 1997/98 to 2000/01.

This review was conducted from April to June 2001 and included extensive interviews, analysis of financial information, and a detailed review of correspondence and other supporting documentation.

We engaged KPMG Investigation and Security Inc. and an Education Consultant to work with our office in conducting this review.

2.2 Background

2.2.1 REPORTING STRUCTURE IN MMSD

MMSD's organizational structure is provided in Appendix A.

The MMSD School Board is composed of six Trustees, one of whom serves as Chair of the Board.

Documentation indicates that MMSD is structured as a Unitary Division, with the Superintendent positioned as the Chief Executive Officer accountable to the Board of Trustees. The Secretary-Treasurer reports to the Superintendent. The former Superintendent served from 1995 to 2000, the period during which MMSD significantly expanded its involvement in adult education. A new Superintendent was hired by MMSD effective August 1, 2000.

2.2.2 ALCs IN MMSD

The concept of ALCs evolved to meet an emerging demand for alternative programming for adult students who were unable to succeed in the regular classroom. ALCs were intended to offer adult students the educational opportunity to achieve a Mature Student High School Diploma in a learning environment that reflects their unique needs. Within

existing legislation in Manitoba, ALCs are not able to obtain direct funding or issue education credits without partnering with a School Division. As a result, a number of ALCs have partnered with various School Divisions throughout Manitoba to provide adult education. The School Divisions obtained funding from Manitoba Education, Training and Youth (the Department) based on a September 30th student full-time equivalent (FTE) enrollment submission that included ALC students.

MMSD entered into an Educational Site Partnership Agreement with the St. Norbert Foundation (SNF) in 1997/98. This was MMSD's initial involvement with ALCs in Manitoba. SNF had approximately 48 FTE students in 1997/98. Subsequently, MMSD expanded significantly into the area of adult education. For the 2000/01 school year, MMSD had 10 private/public partnership agreements in place with various ALCs, and operated Entrepreneurial Technology and Education Centres (ETEC) with total reported enrollment of approximately 4,100 FTEs.

It should be noted that MMSD has reduced its partnerships for the 2001/02 school year to four and has also received funding approval to operate ETECs in six locations.

2.2.3 PUBLIC MONIES FOR MMSD ALCs

Table 1 illustrates the Department funding for ALC students in MMSD by school year:

Table 1

Funding for ALC Students

School Year	*FTE Students*	*Funding*
1997/98	47.5	$ 349,100
1998/99	653.4	$ 2,588,300
1999/00	3,066.0	$10,801,500
2000/01	4,099.3 *	$10,902,800 **

Source: Provided by MMSD
* In July 2001, the Department was making some further adjustments for duplicate ALC FTEs.
** Department $ per FTE funding was reduced.

Note: The FTE students and funding amounts in Table 1 include a number of non-adult students registered in MMSD ALCs. These students and the respective funding amounts are not included in the Departments reporting of funding for adult learners in ALCs. Therefore, the FTE students and funding amounts in Table 1 are higher than the amounts reported by the Department for MMSD as summarized in Appendix A of Chapter III of this report.

Funding arrangements for ALCs operated through MMSD involved the following:

- ALCs partnered with MMSD reported to the Principal of Sanford Collegiate, while ETECs reported to the Principal of Morris School;
- ALC funding was based on September 30th enrollment. The Educational Site Coordinator of each ALC was responsible for the compiling of enrollment data and the exporting of the data to the administering school, then to the Division which, in turn, reported the data to the Department;
- MMSD would then receive per student enrollment funding from the Department based on a September 30th enrollment filing that would

include ALC students; and

- MMSD retained an administration fee from the per student enrollment monies based on the September 30th enrollment of each ALC. The balance of the funding was then used to establish each ALCs annual budget.

MMSD and the sponsoring school earned revenue, while ALC partners were able to access government funding and award student education credits through the sponsoring school within the School Division.

A review of the *Schools Finance Branch Funding Booklets*, issued by the Department, for the school years 1997/98 to 2000/01 indicated that adults attending ALCs were eligible for provincial funding under the following conditions:

- Adults were to be registered in a Senior Years school in the School Division and the Principal was to be formally assigned the responsibility for approving the programming offered to ALC pupils;
- Courses were eligible to be used as credits toward a high school diploma;
- Courses were to be taught by certified teachers; and
- The ALC was required to be approved by the Minister, Education, Training and Youth.

2.3 MMSD Private/Public Partnerships

The following information was obtained through discussions with former and current MMSD staff, a review of the ALC partnership agreements, correspondence and other documentation.

Findings

- Table 2 lists MMSD private/public partnership agreements with ALCs from 1997/98 to 2000/01.
- As per Table 2, a number of the programs offered by the ALCs, such as adult literacy and other initiatives (i.e., funding underage learners), did not qualify for funding prior to the 2001/02 school year. We were not able to quantify the amount spent on these initiatives.
- In November 1999 MMSD engaged a consulting firm to conduct an organizational review of the Division. The request for this review was precipitated by the recognition that the rapid growth and expansion into new educational sectors experienced by MMSD in the 1997/98 and 1998/99 school years had created increased demands on existing Division employees and that these demands were creating a number of challenges. The report, issued in February 2000, stated: *"There does not appear to be a formal Board approved, documented strategic plan for where MMSD is going with its entrepreneurial partnership programs"*. The review also stated, *"There does not appear to be well-established implementation strategies that outline specific expectations for Site-Based Management in place for the schools and sites"*. We were advised that the issues noted above have yet to be addressed.

Table 2

MMSD Private/Public Partnerships

ALC	Years Partnered	Status as at July 2000	Program Description
St. Norbert Foundation (now the Behavioural Health Foundation Inc.)	1997/1998 to 2000/2001	Not-for-profit	• K-8 • Senior years Mature Student High School Diploma • 6-S4 credit courses (adolescent males) • 8-S4 credit courses (adolescent females) • Non-credit Literacy • Remedial/ESL Upgrading • Job search skills
JobWorks (formerly Cooperative Vocational Education)	1998/1999 to 2000/2001	For-profit	• S1-S4 credit courses (English) • S1-S4 Vocational Programs • Tourism • Construction Technology • Auto and Heavy Truck Collision Repair
Entrepreneurial Technology and Education Centres (ETECs)	1998/1999 to 2000/2001	Part of MMSD	• S1-S4 credit courses (English) • Upgrading in Mathematics and English
Upward Bound Inc.	1998/1999 to 1999/2000 Not an ALC in 2000/01	For-profit 1998/1999 to 1999/2000	• S3 and S4 credits
United Food and Commercial Workers Training Centre (UFCW)	1999/2000 to 2000/2001	Not-for-profit	• GED Prep • S1-S4 credit courses (English) • Non-credit academic programs • Non-credit Literacy • Non-credit General Interest courses • Shop Steward Certificate program • Labour Adjustment/Employability/Upgrading
Anokiiwin Training Institute (ATI)	1999/2000 to 2000/2001	For-profit	• S1-S4 credit courses • Non-credit remedial English and Mathematics
Centre for Aboriginal Human Resource Development (CAHRD)	1999/2000 to 2000/2001	Not-for-profit	• 8-S4 credit courses (English) • Post-secondary credit courses • Non-credit academic programs • Non-credit Literacy • Non-credit remedial
Higher Opportunities for People through Education (HOPE) Inc.	2000/2001	For-profit	• S1-S4 credit courses (English) • S1-S4 credit courses (Technology Education) • Post-secondary credit courses • Non-credit academic programs • Non-credit Literacy
Upward Bound, A Stepping Stone Inc.	2000/2001	For-profit	• S1-S4 credit courses (English) • Non-credit Literacy
Adult Education Centres (AEC) formerly Academy of Learning	2000/2001	For-profit	• S1-S4 credit courses (English)
Crossroads Learning Centre	2000/2001	For-profit	• S1-S4 credit courses (English)
Long Plain First Nation Training Centre	2000/2001	Not-for-profit	• S1-S4 credit courses (English) • Non-credit academic programs

- In the fall of 2000, the current Superintendent of MMSD was requested by the Department to submit education plans for each ALC partnership, outlining actions taken or to be taken, to ensure learner success. The Superintendent requested quarterly education plans be submitted by each ALC. However, ALCs did not provide the requested information to MMSD on a timely basis or in some cases documentation was not provided. We requested copies of any education plans submitted to MMSD. These were unavailable for our review. One ALC Coordinator responded to MMSD's request as follows:

"As an aside, is the administration fee that MMSD receives not worthy of you representing us and using the flexibility that the Department allows to ensure that our student count is sufficient to allow us to operate. ... At least [another School Division] stayed out of our hair and allowed us to do our jobs. ... Should you feel a need, let's terminate this relationship or alternatively leave us alone to report in a manner that provides information but doesn't consume staff time with paper piles. The game is in progress and you are changing the rules."

- Disclosure of information to MMSD by some of the ALCs was not always candid. For example, HOPE did not clearly disclose to MMSD that they were operating an ALC in another School Division. The staff teaching the students at that ALC were in the employ of MMSD.
- We conducted a document search of the ALCs partnered with MMSD and noted that in 2000/01 several of the ALCs who applied for 2001/02 funding were for-profit organizations. To be eligible for funding under the new funding policy for 2001/02 ALCs must be registered as a not-for-profit entity.
- One ALC's internal documentation cited systemic problems encountered during the 1999/00 school year such as:
  - student records lost;
  - students told inaccurate information;
  - lack of an operating budget; and
  - lack of review/accountability.
- The *Schools Finance Branch Funding Booklets*, issued by the Department, indicated ALCs required approval by the Minister, Education, Training and Youth. There was no documentation of formal approval available for our review. However, it was clear that the concept of ALCs and the evolution of ALCs in MMSD had Government support.
- Our review determined that non-certified individuals were teaching classes in certain ALCs, contrary to the *Schools Finance Branch Funding Booklet*. This raises the question of the validity and quality of diplomas issued under these circumstances. The standard partnership agreement also specifies that only certified teachers were to be teaching at ALC sites. Such a breach could possibly have resulted in MMSD voiding this particular partnership agreement. MMSD did not pursue this possibility as the current Superintendent advised us that she did not have such information available.
- MMSD used a standard format for all ALC partnership agreements (see Appendix B). The agreement contained a number of important understandings for each party. We examined the agreements and found no reference to the ownership of assets purchased through the ALC budget, deficit coverage or entitlement to surplus funds in the event of termination of the agreement. Further, the agreement in article 4 indicated that "... all site teachers will be supervised and evaluated through the Site Coordinator". This is contrary to MMSD policy which refers to the supervision of teachers by only Principals and Vice-Principals.

As well, according to The Manitoba Teachers' Society, only a Superintendent, Principal and Vice-Principal may complete formative and summative evaluations on teachers.

- Our review confirmed that there has been confusion with ALCs regarding the ownership of assets used in ALCs. The current Superintendent indicated that, as per the Public Schools Act, assets should be owned by the Division. However, we also noted that Directors of certain ALCs had obtained bank loans using the assets at their sites as collateral. Further, correspondence from the Department to MMSD in January 2001 indicates, *"... as long as these centres remain funded by Manitoba Education, Training and Youth as adult learning centres, it is our expectation that the various component parts which the Department has previously funded would remain with the ALC".*
- The Public School Act, Section 71, Ownership of Personal Property, states *"... the right and title to all personal property purchased, donated or otherwise acquired before, on or after the coming into force of this Act is hereby vested in the School Division or school district, as the case may be".*
- A number of ALCs currently partnered with MMSD have made arrangements with other School Divisions or will no longer operate as an ALC for the 2001/02 school year.
- One of the ALCs partnered with MMSD in 2000/01 will not be funded under the new program funding model established by the Department for 2001/02. This ALC will have a deficit of approximately $100,000 and has accumulated assets of approximately $140,000 as at June 30, 2001. Correspondence from the Department indicates when a previously funded ALC will not be funded under the new funding model, the disposition or transfer of assets will be determined in consultation with the Department.

Conclusions

- ALCs used funding for ineligible initiatives, such as adult literacy and funding underage learners.
- MMSD had no strategic business plan relating to ALCs. The absence of a strategic plan created an unnecessary risk that ALCs would not be managed appropriately.
- Some of the ALCs did not provide requested site plan reports to MMSD on a timely basis or not at all. This made it difficult for MMSD to monitor ALC quality of education.
- One ALC was in violation of the partnership agreement. This could have led to MMSD's termination of the agreement.
- There was no documentation available, except in one instance, to indicate MMSD had obtained required Ministerial approval for ALCs. The Government was aware of the existence of ALCs, but did not enforce this formal funding requirement.
- ALC Partnership Agreements did not address the issues of ownership of assets, deficit coverage, or entitlement to surplus funds. This has resulted

in confusion on how such issues should be addressed. The Public Schools Act appears to provide a point of reference with respect to the ownership of assets. As well, the agreement is not consistent with MMSD policy.

2.4 MMSD ALC Policies and Procedures

Findings

- MMSD last updated its manual of policies and procedures in January 1999. Our review of the manual determined that it contained no policies or procedures related to the operations of ALCs.
- MMSD had no formal policies and limited procedures in place to monitor ALC activities. Some ALCs did not submit Monthly Enrollment Reports on a timely basis. MMSD was not following up this deficiency in a timely manner.
- The Principal of Sanford Collegiate did not visit all ALC sites on a timely basis, particularly new sites, to ensure facilities were suitable and that adequate supplies, equipment and textbooks were available at the beginning and during the school year.
- MMSD did not require that a standardized registration form be used by ALCs. A variety of forms were used by ALCs to document student information; in many cases, this information was incomplete.
- MMSD did not require that registration forms or attendance records be forwarded to the Division for review. Thus enrollment figures provided to the Department were not being verified by reference to registration forms or attendance records.
- We reviewed available ALC Monthly Attendance Summaries in order to assess whether attendance compared reasonably to funded FTEs. We were unable to complete an analysis of this material due to insufficient or inaccurate information being recorded.

Conclusions

- No formal policies and limited procedures were in place at the Division for ALC operations for the following:
  - Formal procedures for monitoring ALC activities on a timely basis;
  - Site inspection practices;
  - Site supply, equipment, and textbook availability;
  - Site documentation practices (registration forms, attendance records); and
  - Documentation filing, and retention practices.
- A standardized registration form was not required to be used by ALC sites. Registration forms should provide the essential details about students including course and credit information.

- The School Division was not reviewing documentation (registration forms, attendance records) supporting enrollment figures provided to the Department.

2.5 MMSD and Site-Based Management

In 1996, MMSD formed a committee composed of Trustees, Senior administrators, Principals, a teacher and a parent to explore the implementation of Site-Based Management (SBM) in the School Division. The purpose of SBM was to give more authority and responsibility to local school and ALC sites to improve student achievement and school performance. The intention of SBM was to allow decisions that affect students in schools to be made at the local level. SBM enabled schools to manage their own resources to a greater degree.

Findings

- The Principal of Sanford Collegiate, responsible for all ALCs (excluding ETECs) in the Division, indicated that SBM permitted transferring financial, educational and administrative accountability and decisions to the school level. The Principal further stated that this same approach was taken with the ALCs.
- The Principal of Morris School was not actively involved in supervising ETECs. Supervision was performed by the Director of ETECs.
- MMSD relied on the SBM approach for the operations of the ALCs. Under this approach, decision-making for ALC expenditures was largely at the discretion of the ALC Directors/Coordinators.
- The consultant's report on organizational issues, referred to in Section 2.3, stated that, *"operational guidelines for the sites were not clearly defined or effectively communicated. This has created confusion regarding what is expected of the site administrators to effectively manage their non-traditional programs. ... Requests for financial information from the Division office are not being provided in a timely manner to schools and sites".*
- MMSD procedures over the processing of ALC expense transactions were not consistent for all ALCs. For some ALCs, MMSD paid all the expenses on behalf of the ALC. In other instances the ALC paid their own expenses and then requested reimbursement from MMSD. Some ALCs used a combination of the two methods. We were advised that the ALCs can select the payment method since this service is provided for under the administration fee retained by MMSD.
- In some instances MMSD's review of ALC expenses consisted of comparing actual amounts to budget only, and there was limited or no review of individual ALC expense transactions.
- In 1999/00, MMSD ALCs received their funding from MMSD in lump sums on a monthly basis.

- We reviewed the ALC detailed general ledger reports for the three year period from 1998/99 to 2000/01. We noted that three of the ALCs have purchased vehicles under their ALC budgets. Two of these vehicles are registered under MMSD, while the other is registered under the ALC. Further we noted that one ALC is paying for 12 cell phones out of their budget.
- In June 2001, an ALC submitted an invoice that included an amount which MMSD would not normally pay. This invoice was not paid by MMSD.

Conclusions

- MMSD transferred their accountability responsibilities for ALCs to the individual sites under their SBM approach. To be successful, SBM requires that those making the decisions at the sites have the knowledge and abilities to make proper decisions. Some of the ALCs partnered with MMSD did not have Site Coordinators/administrators with educational and/or administrative backgrounds. Under the existing Public Schools Act and Education Administration Act, these responsibilities reside with the School Division and the sponsoring school.
- MMSD did not effectively communicate or provide operational guidelines to the ALC sites.
- MMSD did not have consistent review procedures in place for all ALC financial transactions. The lump sum provision of monies to ALCs with no ability by MMSD to review the use of the monies did not provide the accountability necessary for the use of public funds.
- The purchase of vehicles by ALCs and the extensive use of cell phones by another ALC is not consistent with the purpose of ALC funding from the Department.

2.6 ALC Division Enrollment

The following information was obtained from a review of Provincial enrollment data and correspondence, interviews with former and current senior staff and Trustees of MMSD, as well as interviews with former and current senior staff in the Department.

Findings

- MMSD's reported student enrollment FTEs (by regular student and ALC students) are summarized by school year in Table 3. This table highlights the extent of MMSDs involvement in entrepreneurial partnership programs, including ETECs, where adult learning is the focus. In the four year period from 1997/98 to 2000/01, the ALC student enrollment as a percentage of total MMSD student enrollment increased from 2.7% to 69.5%.

Table 3

MMSD Student Enrollment

FTEs	1996/97	1997/98	1998/99	1999/00	2000/01
Regular students	1,716.5	1,689.4	1,689.3	1,765.2	1,802.3
ALC students	-	47.5	653.4	3,066.0	4,099.3
Total FTE Students	1,716.5	1,736.9	2,342.7	4,831.2	5,901.6
ALC Students as a Percentage of MMSD Total Students	-	2.7%	27.9%	63.5%	69.5%

Source: Provided by MMSD

- MMSD's shift to adult learning is further illustrated in Table 4, which compares MMSD enrollment (total student numbers before conversion to FTEs) for both regular and ALC students to total Provincial student enrollment as at September 30, 2000. While MMSD's regular students account for only 1.1% of total Manitoba regular students, MMSD's ALC students account for 60% of Manitoba's total ALC students. MMSD was the largest ALC School Division sponsor in Manitoba from 1998/99 to 2000/01.

Table 4

Comparison of MMSD to Provincial Student Enrollment

Student Enrollment as at September 30, 2000	MMSD	Provincial	MMSD as a % of Provincial Totals
Regular	2,060	191,861	1.1%
ALC	6,074	10,119	60.0%

Source: Department of Education, Training and Youth

- Interviews with Trustees and MMSD former and current staff indicated that the former Superintendent and senior administrative staff became involved in adult education in order to generate revenue for the School Division. A Report on the MMSD #19 Satellite Site Educational Programs 1999-2000, prepared by the former Superintendent, the Secretary-Treasurer and the Principal of Sanford Collegiate states, *"In turn for these services the satellite programs pay a fee which provides revenue for the administering school and the School Division. ... Revenue generation is an essential component of a healthy, aggressive system"*.
- We were advised that because of the increase in ALC enrollments (Table 3), MMSD's former and current Superintendents, Principals of supervising schools, the Secretary-Treasurer and the Trustees had less time available to address K to S4 school concerns. It should be noted that staffing

changes were made in MMSD in the last year in order to address this concern.

Conclusion

- MMSD ALC partnerships and enrollment increased significantly over the past four years. MMSD's focus partially shifted from basic K to S4 schooling to adult learners. However, without a strategic plan for ALC growth, this shift was not formally planned and, in our opinion, the rapid ALC growth contributed to ALC monitoring difficulties for MMSD.

2.7 MMSD Enrollment Surveys

Findings

- In the spring of 2000, MMSD had indicated to the Department that the ALC student FTEs for 2000/2001 would be similar to the 1999/2000 FTEs. However, when initial figures for September 30, 2000 later showed an increase of approximately 1,000 ALC FTEs, the Department became concerned. The Department then requested verification of the September 30, 2000 ALC enrollment numbers from MMSD.
- In September/October 2000, MMSD conducted a phone survey of 10% of students enrolled at each ALC site to determine if further audit work on enrollments would be required. Due to the poor results of the 10% phone survey and the concerns expressed by the Department, MMSD contracted with a consulting firm to conduct a larger phone survey of registered ALC students from November 7, 2000 to November 24, 2000.
- The Executive Summary of the consultant's report stated, *"The results of the audit indicate that there needs to be more control of the adult learning centres as to how they record student registrations and what happens when students drop out or simply stop attending".*
- The consultant's report on the ALC enrollments was labelled an "enrollment audit" and MMSD conveyed to the Department that an audit was performed. Our review of the report and discussions with the consultant confirmed that their scope was not designed to audit actual enrollment figures. Their procedures were limited to a telephone survey of the MMSD ALC students. Although MMSD staff did gather registration and intake forms to support the process, we were advised that due to time constraints, MMSD staff and the consulting firm decided the scope of work would be limited to a telephone survey. The consulting firm and MMSD staff confirmed that there was no review of ALC registration forms or attendance records.
- As per the consultant's report, only 55% of ALC students could be contacted. Of the students that were contacted, 6% indicated that they had either never registered for any courses or that they had only requested information on courses but did not register.

- MMSD staff held meetings with each of the ALC Directors to discuss the results of the consultant's report. It was decided to delete the students (from the enrollment reports provided to the Department for funding purposes) who indicated, through the phone survey, that they did not attend and/or had only requested information. Further, due to the low contact rate of 55%, the number of students deleted was doubled.
- MMSD staff confirmed that HOPE's enrollment numbers were not adjusted similar to the other ALC's in that there was no doubling up due to the low contact rate. The reason for not doubling up the HOPE student enrollment adjustment, as provided to us by MMSD staff, was that it would have caused HOPE difficulty to run their program for the rest of the year.
- Subsequent to reading the consultant's report, we determined that, in our opinion, the information was not used logically by MMSD in estimating the adjustment to the initial enrollment figures. Table 5 represents our proposed additional funding adjustment to the ALC FTE enrollment numbers based on the consultant's report.
- As per the consultant's report, 688 (19%) of the 3,549 students contacted, indicated that they had originally registered for courses but had subsequently dropped out of all courses or had simply stopped attending by November 24, 2000. MMSD did not review attendance records in order to determine whether an additional adjustment to their September 30, 2000 enrollment was required as a result of this information. The survey did not ask when students stopped attending.

Table 5

PAO Proposed Funding Adjustment to the ALC Enrollment Numbers

Information from the Consultant's Report	
Total Students	6,409
Students that never registered or only requested information (negative information)	219
Total Students Contacted	3,549
Contact Rate (3,549/6,409)	55%
Adjustment of FTE Students (not including The Program)	
Opening MMSD FTEs	3,699.4
Less: MMSD adjustment based on the Consultant's Report and the doubling up due to the poor contact rate	(112.6)
Funded FTEs **	3,586.8
Less: PAO additional adjustment based on each ALC's negative responses per the Consultant's Report extrapolated to the ALC's total FTE students	(149.2)
PAO adjusted FTEs	3,437.6
Value of PAO Adjustment (149.2 FTE x $2,488 per FTE)	**$371,000**

The above figures do not include The Program students.
** In July 2001, the Department was making some further adjustments for duplicate ALC FTEs

Conclusions

- In our view, MMSD did not contract for an audit of ALC enrollment, and as such an audit was not performed. To satisfy MMSD and Department initial concerns, additional work should have included procedures such as a review of registration and intake forms, attendance records and site visits.
- The report issued by the consulting firm should not have been labelled an "Enrollment Audit" as it may have implied that more extensive work than a telephone survey was performed.
- MMSD may have misled the Department regarding the nature of the work performed when MMSD indicated in correspondence to the Department that Divisional staff had gathered the appropriate data (registration forms and intake information) to support the "Enrollment Audit".
- In our opinion, the enrollment adjustments made by MMSD were not adequate. An adjustment based on the students, who indicated they did not attend and/or had only requested information, extrapolated to the total reported student enrollment for each ALC would have been more appropriate. Although the methodology in the Consultant's report does not facilitate a statistically accurate method of determining actual enrollment, a simple extrapolation of the results yields a further minimum funding adjustment of approximately $371,000. However, the actual overpayment may be higher than this because of the likelihood that more of the students that could not be contacted were potentially not enrolled.
- It was not appropriate for MMSD to make the HOPE funding decision without the knowledge and approval of the Department. Correspondence to the Department from MMSD did not disclose that HOPE received special consideration. If HOPE's adjustment was calculated similarly to the other ALCs, this would have resulted in a funding reduction to HOPE for approximately 44 FTEs or $109,000.
- It is reasonable to expect that a percentage of the 688 students as per the consultant's report indicating that they had dropped out, did so prior to September 30, 2000. In our opinion, had MMSD reviewed any available attendance records for these students, the September 30, 2000 FTE enrollment may have been further reduced. Detailed attendance records were not available for our review. The potential for adjustment (excluding The Program) could range from $0 (assuming no dropouts before September 30, 2000) to $1.7 million (assuming 688 dropouts by September 30, 2000).
- For 2001/02, ALCs associated with MMSD were provided program funding from the Province. This basis of funding also assumes that a certain number of students will benefit from ALC education. As such, the maintenance of attendance information in ALCs is still important.

2.8 MMSD Financial Situation

Our review of MMSD's financial situation was limited to a review of its audited financial statements for the years 1997/98 to 1999/00, MMSD's budget for 2000/01 and a review of ALC budget material.

Findings

- Rapid expansion by MMSD into ALCs (Table 3) over the past few years, has resulted in a significant impact on MMSD's finances. Table 6 summarizes regular K-S4 and ALC operating revenues and expenditures, and highlights the effect of ALCs on the operating revenues, expenditures and accumulated surplus of MMSD from 1997/98 to 2000/01.
- Table 6 illustrates the significance of the ALC revenue and expenditure transactions on MMSD operations for the years 1997/98 to 2000/01.

Table 6

MMSD
Summary of Revenues, Expenditures and Surplus/(Deficit)

	School Years (000s)				
	1997/98	1998/99	1999/00	Estimates** 2000/01	Totals
Regular K - S4 Operating					
Revenues	$10,272.2	$10,797.3	$11,607.8	$12,436.3	$45,113.6
Expenditures	9,756.9	10,949.5	12,338.7	13,484.7	46,529.8
Regular K - S4 Operating Surplus/(Deficit)	$ 515.3	$ (152.2)	$ (730.9)	$(1,048.4)	$(1,416.2)
ALCs					
Revenues	$ 324.1	$ 2,417.8	$10,035.0	$ 9,980.5	$22,757.4
Expenditures	531.7	2,140.9	8,668.9	9,618.9	20,960.4
ALC Operating Surplus/(Deficit)	(207.6)	276.9	1,366.1	361.6	1,797.0
Add: Administration fee retained by MMSD	25.0	170.5	766.5	922.3	1,884.3
Less: Administrative allowances paid	-	(40.1)	(209.9)	(197.8)	(447.8)
Net Surplus/(Deficit) from ALC Operations	$ (182.6)	$ 407.3	$ 1,922.7	$1086.1	$ 3,233.5
Overall MMSD Operating Surplus/(Deficit)	$ 332.7	$ 255.1	$ 1,191.8	$ 37.7	$ 1,817.3

Sources: MMSD audited financial statements, MMSD 2000/01 budget, ALC budgets and other information provided by MMSD.
**The estimated numbers for 2000/01 were based on the MMSD budget and on the General Ledger for ALCs as at June 22, 2001.
Note: Some ALC costs have not been reflected in the above table, however, these costs would not materially change the surplus/(deficit) estimates for regular K-S4 or the ALCs.

- The format of School Division financial statements is governed by the Financial Reporting and Accounting in Manitoba Education (FRAME) Manual as established by the Department. Following the FRAME format,

ALC operations were not disclosed separately on the MMSD audited financial statements for the year ended June 30, 2000 or prior years financial statements.

- Table 7 highlights the accumulated surplus/(deficit) amounts by ALC from 1997/98 to 2000/01 with unspent ETEC funding being the major contributor to the Division's surplus.

Table 7

Accumulated Surplus/(Deficits) by ALC for the School Year

ALC	($000s)			
	1997/98	1998/99	1999/00	Estimate** for 2000/01
St. Norbert Foundation	$ (207.6)	$ 2.3	$ -	$ 128.2
JobWorks	-	57.6	271.3	42.8
ETECs*	-	9.4	1,077.6	1,456.9
Upward Bound Inc.	-	-	3.1	-
Upward Bound, A Stepping Stone	-	-	-	73.5
Anokiiwin Training Institute (ATI)	-	-	172.6	(103.8)
CAHRD	-	-	(88.5)	4.5
UFCW	-	-	(.7)	22.9
AEC	-	-	-	26.3
Crossroads Learning Centre	-	-	-	32.6
HOPE	-	-	-	22.3
The Program	-	-	-	95.8
Long Plains First Nation Training Centre	-	-	-	(5.0)
	$ (207.6)	$ 69.3	$ 1,435.4	$ 1,797.0

*ETEC Detail:		
Morris	$ 16.2	$ 108.1
Sanford	111.4	12.8
South Junction	246.7	146.9
Vita	301.0	247.6
Ste. Anne	402.3	892.3
St. Pierre	-	49.2
	$ 1,077.6	$ 1,456.9

Source: Provided by MMSD
** The estimated numbers for 2000/01 were based on a review of the general ledger for ALCs as at June 22, 2001

- Prior to 2000/01, funding for ALC students and regular students was calculated on the same basis. For the 2000/01 school year, the Department reduced ALC FTE student funding from approximately $3,600 to approximately $2,500.
- The costs of program delivery through ALCs can be less than in a normal high school setting when Independent Study Programs and technology-based delivery models are used. MMSD benefited from this and was able to build up a significant surplus balance from ALC funding. This was especially evident in the ETECs where the average student teacher ratio was approximately 84 to 1, compared to an average of approximately 37 to 1 for other MMSD ALCs.
- The ETEC surplus was approximately $1.1 million as at June 30, 2000 and preliminary figures as at June 22, 2001 indicate that the ETEC surplus has further increased to approximately $1.5 million.
- A review of MMSD Finance Committee minutes confirmed that in addition to the administrative fee, MMSD planned to retain $1,000 per ETEC FTE as there was the realization that ETEC funding was higher than what would be used to operate MMSD ETECs.
- Student/teacher FTE ratios and site classroom square footage (as provided by MMSD) based on September 30, 2000 enrollment and September 30, 2000 teacher staffing and square footage varied as shown in Table 8.

Table 8

ALC	Student/Teacher FTE Ratio	Site Square Footage per Funded FTE
Entrepreneurial Technology and Education Centres (ETECs)	84.3:1	9.5
The Program	66.3:1	6.3
Adult Education Centres (formerly Academy of Learning)	52.4:1	8.0
Upward Bound, A Stepping Stone Inc.	50.5:1	9.7
Crossroads Learning Centre	41.7:1	26.0
Higher Opportunities for People through Education (HOPE) Inc.	41.1:1	19.4
Centre for Aboriginal Human Resource Development (CAHRD)	33.8:1	18.9
JobWorks (formerly Cooperative Vocational Education)	29.7:1	19.3
St. Norbert Foundation (now the Behavioural Health Foundation Inc.)	28.2:1	30.7
Long Plain First Nation Training Centre	23.3:1	51.1
United Food and Commercial Workers Training Centre (UFCW)	20.9:1	107.1
Anokiiwin Training Institute (ATI)	20.7:1	27.2

Source: Provided by MMSD

- During our review we learned that MMSD had requested and been granted permission from the Department to revise their audited financial statements for the year ended June 30, 2000. MMSD cited that classification errors and accrual errors were made in their initial audited financial statements which had the potential to affect their revenue for 1999/00 from the Department. Discussions between MMSD and the Department are currently in progress concerning the finalization of these financial statements.
- During our review we were advised by MMSD that the ALC surplus funds at June 30, 2000 of $1,435,400 would be used up by the ALCs in the subsequent year. A $941,600 operating deficit was budgeted by MMSD for 2000/01. Our preliminary analysis of the general ledger for the ALCs as at June 22, 2001, prior to year end entries and adjustments, indicates that the ALC's accumulated surplus will likely increase further in 2000/01.

Conclusions

- ALC activities had a significant impact on MMSD revenues and expenditures, and accumulated surplus position.
- The FRAME Manual did not facilitate clear disclosure of the extent of ALC operations on MMSD financial statements.
- MMSD received per student ALC funding that was based on a teacher/student relationship for students that were technology-based adult learners, where a lower cost would have applied. As a result, MMSD accumulated excess funding that was not used to operate the ETEC program from inception to June 30, 2001.
- The same per student FTE funding was provided to each ALC without consideration of the program delivery model being used at each site. Student teacher ratios and site square footage varied between ALCs.
- Significant surplus funds were on hand from ALC's for the 1999/2000 school year, mainly resulting from the operation of ETECs.

2.8.1 SPECIAL LEVY (MUNICIPAL MILL RATE) ANALYSIS

Findings

- Table 9 highlights the special levy by calendar year for MMSD and the percent increase from the previous calendar year. For comparative purposes the provincial average % increase by calendar year for all School Divisions is also shown.
- Table 10 is an estimate of what the MMSD special levy would have been without the impact of ALC operations.

Table 9

Special Levy (Municipal Mill Rate) Analysis
Calendar Year (000s)

	1997	1998	1999	2000	2001
MMSD Special Levy	$2,998.0	$3,330.0	$3,444.0	$3,613.0	$3,845.3
MMSD Percent Increase	3.7%	11.1%	3.4%	4.9%	6.4%
Provincial Average Percent Increase	4.9%	4.6%	6.5%	5.2%	6.1%

Source: Department of Education, Training and Youth

Table 10

Special Levy (Municipal Mill Rate) Analysis
School Year (000s)

	Actual			Estimated
	1997/98	1998/99	1999/00	2000/01
MMSD Special Levy	$ 3,197.2	$ 3,334.5	$ 3,477.9	$ 3,633.0
ALC Operating Surplus/(Deficit)	(207.6)	276.9	1,366.1	361.6
ALC Administration Fee Retained by MMSD	25.0	170.5	766.5	922.3
Less: Administrative Allowances Paid	-	(40.1)	(209.9)	(197.8)
Estimated MMSD Special Levy without ALC Operations	$ 3,014.6	$ 3,741.8	$ 5,400.6	$ 4,719.1

Sources: MMSD audited financial statements, MMSD 2000/01 budget, ALC budgets, and other information provided by MMSD.

- As indicated in Table 6, additional revenues generated by MMSD as a result of the administrative fees retained, amounted to approximately $1.9 million over the four year period from 1997/98 to 2000/01.

Conclusion

- Based on the additional ALC revenues, it is reasonable to conclude that MMSD's involvement with ALCs contributed to a lower mill rate than if such revenues had not been generated. Department ALC funding intended for adult education was not all spent on adult education.

2.9 ALC Administrative Allowances

Findings

- The collective agreement between MMSD and the Morris-Macdonald Teachers' Association #19 of The Manitoba Teachers' Society, in effect from July 1, 1998 to the present, enabled the payment of an administrative allowance based on ALC enrollment of $167,600 to school staff and $220,100 to ALC Directors (see Table 11) for the three school years ending 2000/01 inclusive. A new collective agreement is currently being negotiated.
- School staff includes the Principals and Vice-Principals of the two administering schools (Sanford Collegiate and Morris School). ALC Directors represent the Directors of two ALCs (JobWorks and ETEC).
- According to the Collective Agreement, the Principals and Vice-Principals receive $15.93 and $4.50 respectively for each ALC student under their supervision. The Directors of JobWorks and ETEC receive $70 for each ALC student registered in their ALC. These amounts were effective September 1, 1999. The administrative allowances are in addition to their salaries. The Director of JobWorks received an additional allowance for MMSD's partnership with two other ALCs in 1999/00.
- In addition, a further $60,100 was paid to Division staff (see Table 11) for 1998/99 and 1999/00 as administrative allowances. The former Superintendent and Secretary-Treasurer received $7 per ALC FTE while other Division staff received $.50 per ALC FTE. These allowances were discontinued for the school year 2000/01.

Table 11

Administrative Allowances Paid

	School Years (000s)				
	1997/98	*1998/99*	*1999/00*	*2000/01*	*Totals*
To Division Staff	$ -	$10.1	$ 50.0	$ -	$ 60.1
To School Staff	-	14.0	60.8	92.8	167.6
To ALC Directors	-	16.0	99.1	105.0	220.1
Total Allowances	$ -	$40.1	$209.9	$197.8	$447.8

Source: Provided by MMSD.

Conclusion

- In our opinion, the existence of ALC administrative allowances paid to Division staff, School staff and ALC Directors, combined with the absence of controls over enrollment, placed those receiving such allowances in a perceived conflict of interest situation with respect to ALC enrollment.

2.10 Quality of Education and ALC Success Rates

2.10.1 COURSE CREDITS AWARDED

Findings

- Based on interviews, site visitations and other discussions we determined that ALCs in MMSD operate in basically three different ways:

  1. Regularly scheduled classes are offered and students attend on a regular basis until the program of studies has been completed.
  2. In addition to regularly scheduled classes students may attend when it is suitable to them and the teacher, and/or teacher assisted help is given. Some Independent Study Courses are available to students in some of the centres as well.
  3. Technology driven and completely flexible courses are offered to students on an ongoing and "come when and if you want" basis.

- Using information provided by MMSD, we performed an analysis of ALC course credits awarded using course credits awarded as a percentage of the total potential course credits that could have been awarded based on FTE student enrollment by school year. This analysis is summarized in Table 12.

Table 12

MMSD ALC Course Credit Achievement Rate by School Year

School Year	ALCs Under Sanford Collegiate	ALCs Under Morris School (ETEC)	Total MMSD ALCs
1998/99	40.5%	9.0%	34.4%
1999/00	19.2%	7.2%	16.2%
2000/01	28.0%	8.7%	23.1%

Source: Provided by MMSD
Based on our review, reported enrollment figures are likely overstated, and, as a result, the actual course credit achievement rates may be somewhat higher

- Our analysis indicated that those centres that operated primarily with regularly scheduled classes were the most successful in terms of credits awarded. Centres that offered a variety of approaches tended to have lower course credit achievement rates.
- ETECs operate quite differently than other MMSD ALCs. They are technology driven, completely flexible, with no regularly scheduled classes. The student teacher ratio is very high at approximately 84 to 1.

The credit achievement results were the lowest of MMSD ALCs. It should be noted that ETEC students represented approximately 25% of all ALC students in MMSD, and approximately 19% of all ALC students in Manitoba for the school year 2000/01.

- MMSD has no formal policies in place for reporting to MMSD Trustees and the Department of ALC student course credits awarded each school year.
- Prior to the current year, one of MMSD's priorities was to focus on increasing ALC partnerships with minimal attention paid to the course credit achievement rate of ALC students.

Conclusions

- Overall, credits awarded in relation to potential credits that could have been awarded based on FTE enrollment data were low. It did not appear that this information was being compiled, monitored and reported to MMSD's School Board.
- Centres that offer regularly scheduled classes are the most successful in terms of course credit achievement. The ETEC course credit achievement rate is low.
- MMSD has no formal policy for reporting or measuring ALC student course credit achievement rates, therefore reporting and focus on improving success rates has been minimal.

2.10.2 ALC GRADUATES

Findings

- Table 13 illustrates the number of students who have graduated with a Mature Student High School Diploma from MMSD ALCs in relation to the FTE student enrollment by school year.

Table 13

School Year	ALCs under Regional Colleges			ALCs under Morris School (ETEC)		
	FTE Students	Graduates	Success Rate*	FTE Students	Graduates	Success Rate*
1998/99	527	Not Available	Not Available	126	13	10.3%
1999/00	2,311	132	5.7%	755	13	1.7%
2000/01	3,046	387	12.7%	1,053	22	2.1%

Source: Provided by MMSD
*Based on our review, reported enrollment figures are likely overstated, and, as a result, the graduate success rate may be somewhat higher.

Conclusions

- MMSD has no formal policy for reporting or measuring the ALC student graduating success rate, therefore reporting and focus on improving graduation rates are minimal.
- Given the number of funded FTE students, we would have anticipated a higher number of graduates.

2.11 MMSD School Board Governance

*Detailed information on our Model of Governance can be obtained by referring to previous reports issued by our Office: *An Examination of Governance in Manitoba's Crown Organizations (June 1998)* and *An Examination of School Board Governance in Manitoba (October 2000)*, available on our website (www.pao.mb.ca) or by contacting our Office at 945-3790.

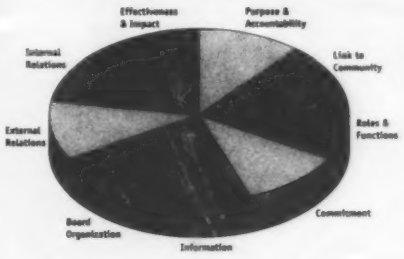
As one aspect of our review, we examined the governance practices of MMSD's School Board. Interviews were held with all current Trustees, as well as the previous Chairperson. We also reviewed board minutes, policies and procedures.

This governance review is based on the Model of Governance utilized in our October 2000 review of School Board Governance in Manitoba.* This Model was developed based on a review of leading research and perspectives in board governance. Building upon the four pillars of good governance – stewardship, leadership, responsibility, and accountability – the Model of Governance identifies a set of nine attributes that represent the attributes of an effective board. In general, the more a board fulfils each of these attributes, the more effective it is.

An effective School Board should:

- Be accountable for the effectiveness of the Division in achieving a set of agreed-upon priorities that are based on clearly understood goals;
- Be clear on who the board represents;
- Be clear on the role of the board and its responsibilities;
- Have Trustees who are committed to the Division;
- Have the appropriate information to make decisions;
- Be organized as a board with appropriate structures and processes;
- Maintain appropriate linkages with external organizations and stakeholders;
- Define clear relations with the Superintendent, Secretary-Treasurer and Division staff;
- Make policy decisions for the Division and, as necessary, change recommendations made to the Board by the administration.

Attributes of an Effective Board



Findings

- The School Board is composed of six Trustees, one of whom serves as Chair. Currently, three Trustees have served two terms for a total of six years; two Trustees have served three years; and one Trustee is in their initial year.
- MMSD's expansion into ALCs was not part of an overall strategic plan developed by the Board. ALC partnership proposals were brought forward

to the board by the former Superintendent on an individual and ad-hoc basis. We were told that these proposals were often presented to Trustees at the Board meeting itself, without advance information being provided.

- MMSD's involvement in ALCs grew faster than the Board had predicted. Trustees were told that this was due to an "overwhelming demand" in the community and that ALC partners were approaching MMSD of their own accord. While all Trustees indicated they were originally in favor of expanding MMSD's involvement in ALCs, many noted that they were "shocked" when enrollment figures exceeded 3,000 in 1999/00. Some Trustees indicated they gradually became frustrated as they felt they had lost control on the growth of ALCs.

- All Trustees indicated their strong commitment to the concept of adult learning and the value of ALCs, as well as their commitment to continuing to provide such services for adult learners. Nonetheless, all Trustees were straightforward in indicating that profit was a key factor in MMSD's expansion into ALCs.

- Some Trustees raised concerns with respect to the information received by the Board with respect to ALCs. While the quantity of information was not an issue, Trustees indicated that, in retrospect, the quality of information received was not adequate for making informed decisions. Further, some Trustees noted that they often felt that the decision was already made and that the Board was simply being asked to ratify it.

- Trustees have visited most ALC sites within MMSD and indicated that, until recently, they had little concerns with respect to ALC operations and management. Most Trustees recognize that improvements are required with respect to MMSD's administration and monitoring of ALCs.

- While all Trustees clearly noted that they were accountable to their communities and rate payers with respect to the actions of the Division, some confusion exists as to whom the Board is accountable to for ALCs. Many indicated that their accountability for ALCs was to the Department. A few Trustees suggested that the Superintendent is more accountable for ALCs than the Board. The lack of clarity around this issue may arise as most ALCs are not actually located within MMSD's geographical boundaries.

- A lack of clarity exists among Trustees as to the administrative model and reporting structure utilized by MMSD. Some Trustees indicated that the administrative model is a dual-track system where both the Superintendent and the Secretary-Treasurer report equally to the Board. Further, the former Superintendent also indicated it was a dual-track system, even though a review of organizational charts, policies and procedures clearly indicate a unitary system (CEO model) during his tenure.

- All Trustees indicated they felt comfortable voicing their opinions and were given sufficient opportunity to participate and discuss issues at Board meetings. However some Trustees noted that they are currently frustrated with the length and structure of meetings.

- Our interviews revealed that a large amount of dissension and conflict currently exists on the Board. While in previous years, Board meetings were less contentious, the Board is currently divided. Trustees noted that this conflict and dissension arises specifically around ALC issues, rather than with respect to other divisional programming issues. Some frustration was indicated with the lack of trust that currently exists on the Board.
- Performance evaluations of the Superintendent are conducted by the Board. An evaluation of the current Superintendent has occurred, but some Trustees noted that the former Superintendent was not adequately evaluated in the latter part of his tenure.
- We were told that, in the past, the Board did not become overly involved in day-to-day operations and that the former Superintendent was given full authority and control of MMSD administrative issues. This has changed and most Trustees indicated that the Board is currently overly involved in day-to-day management issues.
- The Board recently conducted a self-evaluation of its practices with the assistance of an outside facilitator.

Conclusions

- As the ultimate authority for MMSD, the School Board is responsible for ensuring the quality of education at all its sites. As noted elsewhere in this report, this was not done with respect to ALCs.
- A School Board is accountable for all aspects and operations of its Division, including those of its ALC partners. MMSD Trustees need to clarify to whom their accountability for ALCs lies and what the requirements of that accountability are.
- MMSD did not have a strategic plan in place to direct its ALC partnerships. As the leaders and stewards of MMSD, it is the School Board's role to set the strategic direction and plan in accordance with the Board's vision and priorities and to identify annual goals and targets. The Superintendent and administration, who may assist in creating the plan, are responsible for its implementation and should be held accountable by the Board for achieving the goals and targets set.
- A poor decision-making process was used by the Board in undertaking ALC partnerships. Trustees noted that they felt that decisions with respect to ALCs were brought to them by the former Superintendent already pre-made and the Board simply ratified them. They did not make major changes to the proposals of the administration, nor revoke any of these "pre-made" decisions. In that respect, this was a "rubber-stamping" Board.
- Information that is received only at Board meetings or at the time of decision-making does not provide Trustees with sufficient time for review and reflection. Trustees are responsible for ensuring they have the information they require to make informed decisions. Given that ALCs

were such a large part of the Division's budget, the Board should have requested detailed ALC information and better analysis of the financial impacts.

- The relationship between a School Board and its Superintendent is extremely important, and a Board needs to strike the right balance of power with its Superintendent. Many Trustees noted that the Board is currently overly involved in day-to-day issues and is micro-managing.
- This Board is currently fractured which can be frustrating and detrimental to the Board's overall functioning. That is not to imply that disagreements and the resulting discussions may not lead to appropriate decisions, but rather to ensure that those disagreements do not lead to personal disputes or lack of trust. By improving the level of trust and enhancing the teamwork approach, this Board has the potential to be very effective in setting and achieving its goals and objectives.
- Conducting Board self-evaluations is a valuable governance practice that is overlooked by many Boards. It is commendable that MMSD's School Board has begun a process of self-evaluation with the intent of implementing improvements.

2.12 Recommendations

- That the Department consider requesting reimbursement from MMSD of at least $371,000 based on our extrapolation of the contracted survey results. This represents estimated MMSD ALC's FTE overstatements, excluding The Program. We used information that was available to MMSD and the Department in deriving this amount. Should the Department wish to review previous years' enrollment information, we recommend that additional audit procedures be conducted.
- MMSD should request attendance information from ALCs in order to determine the extent of any adjustment to FTE funding required for students that may have dropped out of ALCs prior to September 30,2000. If this information is not available, consideration should be given to estimating a student FTE reimbursement to the Department for a proportion of the 688 students based on a negotiated rationale.
- That the Department consider requesting MMSD to return the excess funding that was not required to operate the Entrepreneurial Technology and Education Centres (ETECs) program from inception to June 30, 2001 estimated at approximately $1.5 million.
- That MMSD revisit and seek to revoke the current ALC administrative allowance section of the Collective Agreement specifically regarding the payment of administrative allowances to school staff and ALC Directors based on ALC enrollment.
- That MMSD consult with the Department regarding the disposition of assets and deficits of an ALC which will not be a partner in 2001/02.
- That MMSD develop a formal, Board approved, strategic business plan that outlines the direction the Division intends to follow concerning ALCs.
- That MMSD obtain legal advice to assist them in the preparation of an appropriate ALC partnership agreement to be used for future ALC partnerships.
- That MMSD clarify and communicate the roles of the Division and ALC sites with regard to their specific accountability responsibilities.
- That MMSD develop and implement formal policies, procedures and controls relating to the operations of ALCs. The Department should review MMSD policies, procedures and controls to further ensure that public monies are not put at risk.
- That MMSD adopt formal and consistent review procedures for ALC expense transactions.
- That MMSD ensure their ALC Site Directors/Coordinators have appropriate educational and/or administrative backgrounds.
- That MMSD establish performance measures and targets for ALC success rates such as course credit achievement rates, graduation rates, etc.

- That MMSD's School Board discuss and clarify a number of issues to improve their governance practices, including:
    - Ensuring that all Trustees have a common understanding of board roles, responsibilities and accountabilities;
    - Ensuring that a common understanding exists among all Trustees as to the administrative functioning of the Division and that the roles and responsibilities of all administrative positions have been clearly delineated;
    - Conducting an annual strategic planning exercise that clarifies the Board's goals and priorities for the Division;
    - Improving the teamwork approach of the Board. Trustees should work together in frank discussions to improve the level of trust that currently exists on the Board. Strategic planning exercises and the adoption of clear, agreed-upon priorities can also help to improve trust;
    - Establishing the Board's appropriate level of involvement in administrative or operational issues;
    - Establishing regular meeting times to be held without the presence of administrators. This type of session is common on many Boards and simply allows a Board to discuss any management concerns or issues freely; and
    - Continuing the use of Board self-evaluations to improve the overall functioning of the Board.

Comments from MMSD

MMSD has cooperated fully with the Office of the Provincial Auditor.

The Board would like to acknowledge that the current Superintendent/CEO of MMSD was hired effective August 1, 2000, and inherited the operational plan and approach that was in place for ALCs.

The current Superintendent/CEO does not, and has never received any financial benefit from the operation of ALCs in Manitoba.

In 2000/01, the Board of Trustees and the current Superintendent/CEO initiated a number of positive steps to improve accountability for adult education in MMSD:

- *The administration of adult education was restructured for the 2001/02 school year (Board motions of May 2001);*
- *Staffing changes have been made in the administration of adult education as a result of the administrative restructuring (Board motions of Spring 2001);*
- *Consultation with the Department is underway with respect to the disposition of ALC assets and deficits;*
- *A short-term strategic plan for the 2001/02 school year was developed in February 2001;*
- *A moratorium was placed on partnerships in November 2000 (Board motions of November 2000);*
- *The school division has initiated a review of policies and procedures (Board motion of June 2001);*
- *The school division has consulted legal counsel with respect to the preparation of the 2001/02 ALC partnership agreement;*
- *For-profit partnerships were discontinued for the 2001/02 school year;*
- *Criteria/Conditions for Partnering with Not-for-Profit Organizations Involved in Adult Education in 2001/02 was finalized in February 2001 (Board motion of February 2001). This document formed the basis for all partnerships in 2001/02;*
- *MMSD is partnering with four not-for-profit organizations for 2001/02, a reduction in partnerships from eleven in 2000/01;*
- *All staff engaged for the 2001/02 school year has the appropriate educational and/or administrative background, as necessary;*
- *The 1998-99 collective agreement between the school division and the teacher's association is under negotiation;*

- *An educational consultant continues to work with the Board to improve governance practices; and*
- *Performance measures and targets for ALC success rates were included in the 2001/02 program proposal submissions provided to the Department in March 2001. These will be monitored and reported on, as the ALCs complete the Good Practice Guide requirements.*

MMSD's top priority is student achievement. Its four other priorities are staff wellness, technology, site-based management, and partnerships. The Board was not actively seeking partnerships.

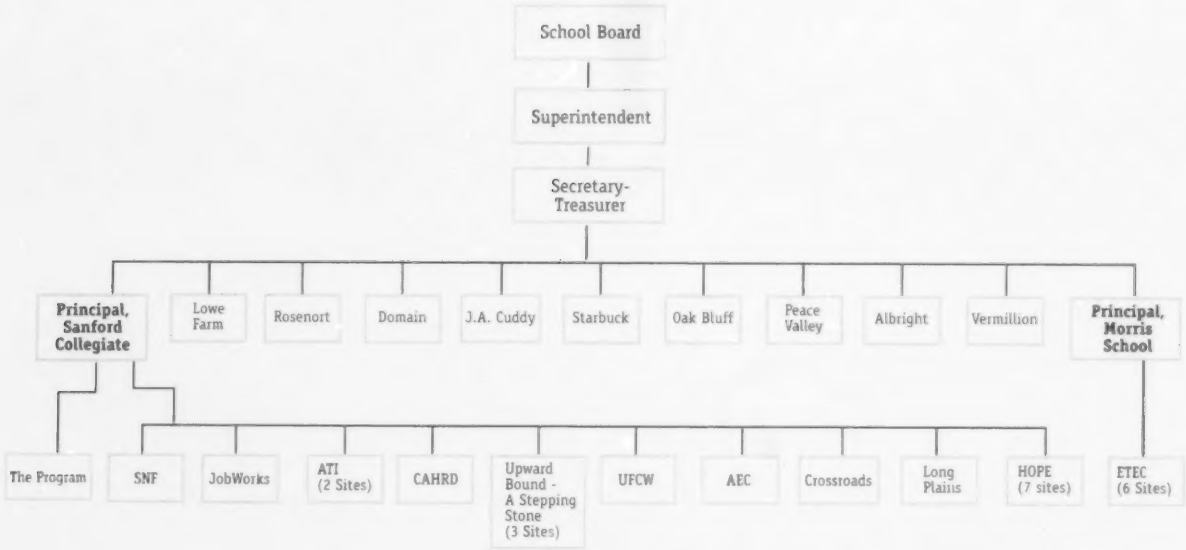
It is the intention of the Board of Trustees and the current Superintendent/CEO to undertake a review of the issues raised in this report and implement any actions deemed appropriate.

Comments from Department

The Department is both disappointed and deeply concerned by the findings regarding Morris-Macdonald School Division, especially because it has repeatedly expressed its concerns to the Division with little apparent effect on that organization's practices. Accordingly, the Department will be seeking appropriate reimbursement of funds provided for MMSD ALCs. Further, the Department will take action to remove MMSD from any further involvement in ALCs, beginning immediately, until such time as it is clear that all the problems described in this report have been fully resolved. This will be done in a way that protects the interests of learners in existing programs.

Appendix A

Morris-Macdonald School Division #19
Adult Learning Centres
Organization Chart
September 2000



Appendix B

EDUCATIONAL SITE PARTNERSHIP AGREEMENT
between

MORRIS-MACDONALD SCHOOL DIVISION NO.19 (MMSD)
and

(ALC)

It is the intent and purpose of the parties to this agreement, the MMSD and (ALC) to establish a partnership to create an educational site program for the 2000/2001 school year.

The articles of this agreement are as follows:

1) The effective period of this agreement shall be from July 1, 2000 to June 30, 2001.

2) This agreement shall relate specifically to a program for the 2000/2001 school year.

3) All teaching staff must possess a verified teaching certification as issued by the Teacher Certification and Records Branch of Manitoba Education and Training.

4) All teaching staff must be employed by the MMSD based on the recommendation of the Site Coordinator, with the position related specifically to the Educational Site Program. All site teachers will be supervised and evaluated through the Site Coordinator.

5) All teaching staff under contract of hire for the Site Educational Program will come within the scope of the current collective agreement between Morris-Macdonald School Division No. 19 and the Morris-Macdonald Teachers' Association of the Manitoba Teachers' Society.

6) All course curriculum eligible for credit at the educational site must follow or be approved by Manitoba Education and Training.

7) Program funding will be based on September 30 enrollment. Monthly enrollment data must be reported by the educational site administration to the MMSD office and the principal of the administering school.

8) All program administration will be conducted by the administering school of the MMSD and will be administered under the direction of that institution's administration and the site program coordinator.

9) The administration of provincial standards tests and examinations and reporting of E.I.S. enrollment data and student mark reporting to Manitoba Education and Training for the educational site program shall be the responsibility of the principal of the administering school.

10) The granting of Manitoba, Education and Training provincial graduation diplomas and issuing of mark transcripts to students enrolled in the educational site program shall be under direction of the principal of the administering school.

Appendix B
(cont'd.)

11) The issuing of report cards to students enrolled in the program shall be the responsibility of the program Site Coordinator.

12) The completion of the teacher professional activity data reporting and course registration reporting for Manitoba Education and Training shall be the responsibility of the program coordinator. The required data must be exported from the educational site to the administering school for reporting to Manitoba Education and Training.

13) The Educational Site Program Coordinator must purchase and use the TREVLAC Computer Services Ltd. Administrator software program (Version 7.0) for the compiling of all required data for exporting to the administering school, which, in turn, will report to Manitoba Education and Training.

14) All site educational programs must comply with Manitoba Educational and Training requirements. Educational sites may offer more than the minimum number of courses required for graduation; however, will receive no extra funding for these additional courses and students who meet Manitoba Education and Training graduation requirements will receive the provincial graduation diploma from the administering school.

15) Education site funding will be as follows:

    (I) MMSD will access the provincial student grants for the educational program site based on September 30 enrollment.

    (II) MMSD will retain an administration fee based on the September 30 enrollment of the site. The fee shall be calculated as follows:

        a) $225 per FTE student for the first 3,000 students divisionally;
        b) should the total enrollment exceed 3,000, a reduced FTE fee for all students will be calculated based on division costs and other allocations;
        c) prorated per site based on their enrollment September 30.

    (III) The balance of the funds will be used to establish the educational site's annual budget.

    (IV) The program site coordinator must submit expenditure claims to MMSD office as required by the Secretary-Treasurer.

    (V) MMSD will be responsible for payment of all salaries and purchases relating to the educational site's annual budget.

16) Any request for variation of, or modification to, any of the above stated conditions must be submitted in writing to the Superintendent of Schools of the MMSD prior to Board of Trustee consideration.

17) Failure by the educational site to honor the conditions of this agreement may result in loss of, or retention of, funding by MMSD or dissolution of the partnership agreement.

A Review of the Department's Role in Adult Learning Centres in Manitoba

Chapter III

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3.0 Chapter Summary

The Office of the Provincial Auditor (PAO) received a request on March 29, 2001 from the Deputy Minister, Manitoba Education, Training and Youth to investigate allegations involving an Adult Learning Centre (ALC) within Morris-Macdonald School Division #19 (MMSD). The results of that investigation are presented in Chapter I of this report.

Consequential to that investigation, we determined that it would be appropriate to conduct a review of the Department of Education, Training and Youth's (the Department) role in the evolution of ALCs within Manitoba. The issues we reviewed encompass policy framework, student enrollment funding, and quality of education.

The evolution of ALCs highlights a situation where public monies were disbursed without formal policy in place, nor a mechanism for measuring the success of ALCs in Manitoba.

ALCs emerged outside formal legislation and policy beginning around 1996/97. Encouraged by Government support and fuelled by changes to funding policies affecting adult learners, several School Divisions, MMSD in particular, partnered with private sector providers to establish ALCs.

As a result of the lack of formal ALC policy and legislation, an environment existed where the concept of ALCs was left open to interpretation. Hence, ALCs developed in various formats to meet the varied needs of a diverse group of adult learners.

The Department is ultimately responsible for ensuring that quality education is provided to all Manitobans. To meet this responsibility and to bring some organization to the concept of ALCs, significant changes to the accountability framework and to the manner in which ALCs were funded were implemented for the 2001/02 school year. In our view, this is a move in a positive direction. However, it is our belief that further steps are required to safeguard public monies and to ensure quality education is provided at all ALCs.

As a result of this review, the following recommendations are provided:

Legislation and Policy

- *That the Department consider moving quickly to put in place appropriate legislation to address ALCs in Manitoba. This legislation should ensure clarification of the following:*
  - *the role and goals of ALCs in Manitoba;*
  - *the issues of ownership of assets, funding surplus, and responsibility for deficit;*
  - *responsibilities of ALCs, partnering School Divisions, and the Department; and*
  - *performance measures and accountability reporting.*
- *That the Department consider establishing a requirement that ALCs must be operated only by educators who have training in administration and/or site management.*

- *That the Department establish standards for the operation of an ALC covering student initial assessment and testing; the availability of technology, library and reference material, facility size and condition, furniture requirements, administrator/coordinator qualification, etc., to ensure that ALCs are positioned to provide a comparable quality of education in comparable facilities.*
- *That the Department establish School Division and ALC standards for ALC records management covering the retention of admission, registration and student records, giving due consideration to the Freedom of Information and Protection of Privacy Act (FIPPA).*
- *That the Department provide guidance to School Divisions on the content of partnership agreements with ALCs.*
- *That the Department establish enrollment guidelines to clearly communicate the number of times an individual can be funded in an ALC.*

Funding

- *That the Department consider basing the amount of ALC funding on the educational delivery model to be used by an ALC. Sites using lower cost per student delivery models should be funded accordingly. A start-up inventory of equipment, furniture, textbooks and supplies could be included in the funding application. Further, a long-term business plan for each ALC should be requested as part of this application.*
- *That the Department reassess its decision to provide program funding of $625,000 for 2001/02 to an ALC that has demonstrated problems in providing learners with an appropriate quality of education.*
- *That the Department consider requiring that School Divisions previously partnering with an ALC provide an evaluation of that ALC for the Department's use in assessing whether this ALC would receive future funding. In turn, the evaluated ALC could supplement this with an action plan on how they would address any problematic issues.*
- *That prior to awarding funding to existing ALCs, Department staff ensure adequate facilities are in place. Further, that Department staff visit all existing and new ALCs within the first two weeks of operation to ensure that appropriate learning environments are in place.*
- *That the Department consider requiring ALCs to provide formal documentation as verification that they are established as not-for-profit entities prior to their being considered for funding in accordance with the new funding policy.*

Monitoring

- *That the Department establish appropriate performance measures to be used in formally monitoring the success of ALCs in providing quality education to adult learners. These measures should be used to determine whether continued funding is justified.*

- *That the Department ensure that records identify the ALC students and which ALC site they attend for success rate monitoring.*
- *That the Department ensure that ALCs are using certified teachers in accordance with the Public Schools Act.*
- *That the Department approve Limited Teaching Permits only where a demonstrated need is proven.*
- *That the Department define and clearly communicate to School Divisions and ALCs the conditions under which funding would be revoked or denied (i.e., use of uncertified teachers, lack of enrollment, poor success rates, etc.), and that the Department apply the conditions consistently.*
- *That should the Department become aware of problems in ALCs, this information be substantiated and acted on in a timely manner by Department staff, even to the extent where funding is withdrawn.*
- *That the Department ensure that School Divisions have appropriate policies and procedures in place to guide their management of the ALC partnership relationship.*
- *That the Department consider requesting annual audit reports on ALC operations from ALCs covering the following:*
    - *Enrollment;*
    - *Performance Measures;*
    - *Financial Statements; and*
    - *Public Sector Compensation Disclosures.*
- *That the Department define the scope of audit work required for enrollment and performance measurement, and that financial statements be prepared in accordance with Generally Accepted Accounting Principles.*
- *That disclosure of compensation for not-for-profit employees should be made in compliance with the Public Sector Compensation Disclosure Act.*
- *That the Department seek legal advice with respect to requesting a return of monies from any School Division where they are aware that enrollment figures were overstated.*
- *That the Department implement a system of control where the Mature Student High School Diplomas are only distributed to authorized locations. All diplomas should have an identifying number to allow control over issuance.*

3.1 Introduction

3.1.1 EXPANDED REVIEW

On March 29, 2001 the Office of the Provincial Auditor (PAO) was requested by the Deputy Minister, Education, Training and Youth to investigate allegations regarding an Adult Learning Centre (ALC) within Morris-Macdonald School Division #19 (MMSD). The results of that investigation are presented in Chapter I of this report.

Consequential to that investigation, we determined that it would be appropriate to conduct a review of the Department of Education, Training and Youth's (the Department) role in the evolution of ALCs within Manitoba. The issues we reviewed encompass policy framework, student enrollment funding, and quality of education.

3.1.2 SCOPE

Our work consisted of such examinations and procedures that we determined were necessary to conduct our review.

The review was conducted from April to June 2001 and included interviews of current and former senior staff of the Department, analysis of financial information, and a review of government correspondence and other supporting documentation.

We engaged an Education Consultant to work with our office in conducting this review.

3.2 Background

3.2.1 WHAT IS AN ALC?

Up until the spring of 2001, there was no formal published definition of what constituted an ALC. A formal definition of an ALC was published by the Department in the document, *Adult Learning Centres Policy Handbook 2001/2002*. It reads:

> *"An adult learning centre is a community partnership organized to provide adult learners with opportunities to develop life, literacy and employment skills, enhance their academic qualifications and engage in lifelong learning."*

Common to all ALCs is an adult programming focus that offers Senior 1 to Senior 4 credit courses and opportunities for high school completion, particularly in the form of a Mature Student High School Diploma. Prior to 2001/02, funding did not cover literacy and tutorial supports.

In July 1994, the Department issued the first of three documents, entitled *Renewing Education: New Directions*, which described the key actions that the Government of the day planned to take toward the renewal of the educational system. One of the stated actions was to "establish community-based infrastructures for life-long learning which provide high quality education and training for all Manitobans".

In response to the above action, the subsequent New Directions documents introduced the concepts of schools of choice, distance education and the use of technology in the classroom, and life-long learning. These concepts advocated changes to traditional learning patterns and settings but were not developed into formal legislation or policy for ALCs. However, the inclusion of these concepts in New Directions documents appears to have provided an initial impetus for the evolution of ALCs in Manitoba.

School Divisions had begun responding to an emerging demand for alternative programming for adults and other students who were unable to succeed in the regular classroom. The concept of the adult learning centre evolved from this demand and Divisions began to offer programming to adults at locations off-site from regular high school settings.

ALCs in Manitoba began offering high school credits to adult students as early as 1996/97. Within existing legislation in Manitoba, ALCs are not able to obtain direct funding or issue education credits without partnering with a School Division. As an expanding component of the education and training system in Manitoba, it resulted in increased funding requests through School Divisions.

Subsequently, a change in policy for adult learners was announced by the Schools Finance Branch of the Department. Adults and students who had achieved a high school diploma would be able to take four funded courses beyond graduation. This was put in place to recognize the need for post-diploma upgrading and to allow adult students who had not completed their diploma to obtain a diploma while, at the same time, placing some boundaries on the extent of free public education available to Manitobans.

In 1997/98, the Schools Finance Branch formally commenced funding to School Divisions for adult learning programming regardless of the program's location (i.e., school or ALC) contingent upon the programming meeting the following criteria:

- Adults were to be registered in a senior years school in the School Division and the Principal was to be formally assigned the responsibility for approving the programming offered to ALC pupils;
- Courses were eligible to be used as credits toward a high school diploma;
- Courses were to be taught by certified teachers; and
- The ALC was required to be approved by the Minister, Education, Training and Youth.

3.2.2 PUBLIC MONIES INVOLVED

Public education in Manitoba is principally administered under The Education Administration Act (EAA) and The Public Schools Act (PSA). These Acts were created to administer education within the traditional school model. As ALCs emerged in non-traditional school settings they were, nevertheless, funded under the same provisions of the PSA as any traditional school. The Funding Booklet published by the Schools Finance Branch for the 1997/98 school year provided the means by which ALCs, partnered with School Divisions, could obtain funding.

Funding for adult and regular students was based on full-time equivalents (FTEs). A full-time equivalent represents a full-time student earning six education credits in a school

year. Funding for students earning less than six education credits in a school year is prorated to an appropriate amount based on the appropriate fraction of an FTE relevant to that student. Funding was calculated and then advanced through a sponsoring School Division to the ALCs based on their eligible enrollment as defined by the number of FTEs at each education site.

The Department only began to track eligible enrollment figures for ALC purposes for the 2000/01 school year. Prior to that date, a proxy measure for tracking eligible enrollment at ALCs was used based on all students aged 19 and over reported through School Divisions.

Based on FTE enrollment figures, approximately $42.7 million of public monies were provided to School Divisions for ALCs over the four year period from 1997/98 to 2000/01. Table 1 highlights the ALC yearly enrollment (FTE) figures and the corresponding funding trend in Manitoba for a four year period.

Table 1

FTE Figures and Corresponding Funding Trend in Manitoba

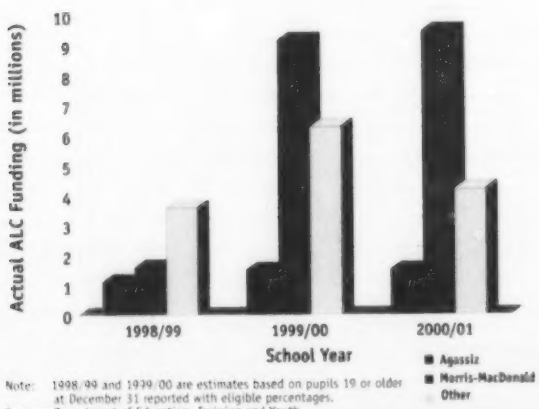
School Year	*FTE Figures*	*Year to Year Change*	*Expenditure (millions)*	*Year to Year Change*
1997/98	1,045	-	$ 4.0	-
1998/99	1,785	71%	$ 6.4	60%
1999/00	4,890	174%	$17.1	167%
2000/01	6,105	25%	$15.2	(11%)*

*The Department reduced funding per FTE from approximately $3,600 to approximately $2,500.
Source: Department of Education, Training and Youth

Appendix A provides a table highlighting ALC FTE enrollment and monies provided to those School Divisions which operated ALCs. MMSD received the majority of these funds (approximately 26%, 54% and 63% of the total government support for ALCs for the years 1998/99, 1999/00 and 2000/01, respectively).

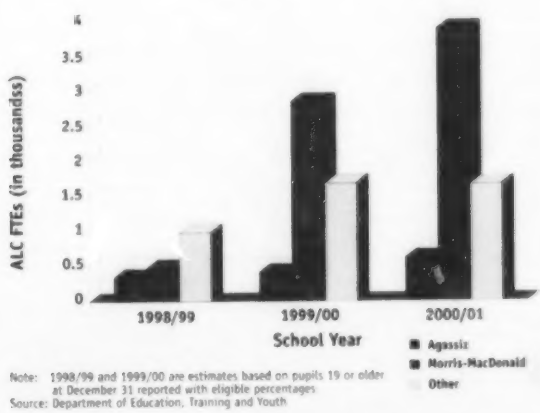
The following graphs indicate the total ALC FTE and funding by School Division based on data in Appendix A.

ALC Funding by School Division



Note: 1998/99 and 1999/00 are estimates based on pupils 19 or older at December 31 reported with eligible percentages.
Source: Department of Education, Training and Youth

ALC FTEs by School Division



Note: 1998/99 and 1999/00 are estimates based on pupils 19 or older at December 31 reported with eligible percentages
Source: Department of Education, Training and Youth

3.3 Legislation and Policy Review

Prior to 1997/98 funds provided by the Schools Finance Branch of the Department were funds paid to support the K to S4 enrollment. There was no formal Government approval to fund ALCs. School Divisions included adult learners in their regular K to S4 enrollment submission.

The following information is based on a review of Department correspondence and documentation, and interviews with current and former senior Department officials.

Findings

- The evolution of ALCs began slowly, but picked up momentum in 1999/00. Governments have supported and encouraged ALC development throughout their evolution.
- With the encouragement of Government, MMSD took an aggressive approach to ALCs in the last three years, establishing centres in various locations in Manitoba and focusing on adult student needs through partnerships with labour, business groups and for-profit ALC partners.
- Documentation from 1997/98 confirmed that Department staff projected that the financial implications would be minimal for providing funding for four additional credits beyond the provincial senior years graduation requirements.
- Discussions with former and current Department staff suggest that even after the potential significant impact of the concept of ALCs and their funding was recognized, changes as recommended by Department staff in 1998/99 were not implemented in a timely manner.
- No policy guidelines and standards were in place to ensure that quality education was provided through ALCs, and that financial accountability for the expenditure of public funds was not clearly defined for both School Divisions and their ALC partners until the issuance in spring 2001 of the *Accountability Framework for Adult Learning Centres 2001/2002*.
- Although the *Schools Finance Branch Funding Booklet for 1997/98* made reference to adults in public schools, the booklet did not include a policy framework to address the issue of adults attending off-site schools to complete senior years programming.
- In the absence of a policy framework and the issuance of the *Schools Finance Branch Funding Booklet for 1997/98*, noted in the preceding point, certain School Divisions saw an opportunity to provide alternative educational programming to adult students who preferred to learn outside of the regular classroom.
- In the fall of 1999, the Department commissioned a consultant to visit, observe, and provide impressions on ALCs. His report, *Challenges and Opportunities, Adult Learning Centres in Manitoba, A Discussion Paper*, was released in February 2000. Although enthusiastic about ALCs as a vehicle for adult education delivery, the report noted that:

> *"There is no evidence at all that ALCs developed as a result of considered policy development by the government of the day, nor that there had been a particular identification of needs to be met. Further, no policy was considered for a local, community driven, decentralized, flexible, province wide array of centres designed to meet multiple adult learning needs. The term 'adult learning centre' was devised after the event to describe a variety of programs that had sprung up. Thus, there was no prior discussion within government as to the concept, form, or function of an adult learning centre. The major policy shift of providing free high school level, and related courses, to adults seems to have occurred with the minimum of discussion. The Department of Education and Training was, to a large extent, not involved in the development of the centres, although certain departmental officials have supported and assisted centres after they were established.*
>
> *Thus, the origin of the centres appears to have been an unplanned, unforeseen phenomenon, with the change in schools funding formula acting like the sorcerer's apprentice unleashing a flood of water. The change in the funding formula, allowing school divisions to deliver, or cause to be delivered, free high school education for adults unleashed a wave of programming. Since there was no central model or concept for a centre, centres developed very much in relation to the needs of the communities they serve, both the range of services and the modes of delivery were largely locally determined".*

- Further, the report concluded:

> *"In summary adult learning centres have sprung up into the policy and programming void of adult education, have established a constructive and effective philosophy of education, and have the potential to become an adult education system that the province has always lacked. ... The department has also to think through what it is going to do with this unsought, unplanned, and unexpected gift that is the centres. The department has pledged its commitment to work with the centres to determine future directions. At the same time, the department has to consider its own policies and programs with regard to adult learning... This is unprecedented! Normally, the department establishes policy!"*

- The design of ALCs evolved to meet an emerging demand for alternative programming for adults and other students who were unable to succeed in the regular classroom. Convenience of location, the pursuit of life-long learning, pent-up demand for programming, and the linkage of a high school diploma to better jobs and further post-secondary education have all contributed to an influx of adult learners into ALCs.

- We believe that a further incentive for School Divisions was the opportunity to charge a student "administrative fee" to administer ALCs. For example, MMSD retained a fee of $225 from the per FTE pupil funding amount. This "fee" covered ALC administration costs as well as providing extra monies to be used by the Division to support other programming. In interviews with MMSD personnel and Trustees, we were advised that this

opportunity to support other programs of the Division was as much an incentive to operate ALCs as was the desire to provide quality education to adult learners.

- ALCs attached to MMSD operated within the territory of another School Division. In many situations, agreements were struck between the two Divisions.
- Section 48(1)(l) of the PSA states that "subject to the regulations, a School Board may with the approval of the Lieutenant Governor in Council, establish, maintain and provide for schools outside the limits of the School Division or district". The caveat of requiring Lieutenant Governor in Council approval is presumably to provide an opportunity for the Government to ensure that when a School Division establishes a facility in the territory of another School Division, there will be no deleterious effects for either School Division. Our review suggests that no approvals of the Lieutenant Governor in Council have been sought or granted.
- Our review of Department correspondence indicated that although Departmental officials were aware that the PSA had not been complied with in the establishment of ALCs outside a School Division boundary, no action had been taken to rectify this situation up to the date of this report though the issuance of an Order in Council.
- As a result of the proliferation in ALC enrollment and an increase in per capita funding provided by the Schools Finance Branch, the current Deputy Minister of the Department coordinated a public consultation of ALC stakeholders on January 20, 2000. In September and October of 2000, further consultations were held. In those sessions, it was generally acknowledged that ALCs developed quickly and without the benefit of a framework that supported accountability.
- For the 2001/02 funding year responsibility for funding was transferred within the Department from the Schools Finance Branch to the Community Learning and Youth Programs Branch. Based on feedback from the consultation process, staff from the Community Learning and Youth Programs and Research and Planning Branches, as well as practitioners seconded on a part-time basis from the field, developed initial policy, procedures and an accountability framework for the 2001/02 fiscal year.
- We reviewed the ALC policy material published by the Department in early 2001. It encompasses the following:
    - Broadening of funding programming to include literacy and tutorial supports;
    - Inclusion of underage students in ALC programming. Underage students can represent 20% of an ALCs FTE enrollment to be negotiated between the ALC and the School Division/High School; and
    - Sharing between the School Division and an ALC of the responsibility and accountability for the quality of educational programming.

Conclusions

- ALC development occurred without the benefit of an effective legislative or policy framework. A legislative and policy framework can incorporate as much flexibility as the Government thinks is necessary, but is an essential component of establishing effective practices and accountability mechanisms to ensure the cost effective delivery of a consistent quality education to adult learners.
- The absence of an effective legislative and policy framework, together with the monetary incentives may have caused some School Divisions to expand with ALCs too quickly. The quality of education may have been compromised by MMSD having taken on too many ALCs over too great a geographical area. We believe that this is a factor contributing to the problem we encountered at the ALC described in Chapter I of the report.
- Section 48(1)(l) of the PSA dealing with the need for the approval of the Lieutenant Governor in Council in order for a School Division to establish, maintain and provide for schools outside the limits of its own geographic area has not been complied with.
- The Department's written suggestion that School Divisions and ALCs can share responsibility for the quality of education may not be consistent with applicable legislation. The PSA and the EAA suggest that School Divisions would always be governed by these Acts (for responsibility and accountability for educational programming and student success rates/ results, accuracy of enrollment data/information, funding expenditures and related fiscal management, administrative management, teacher supervision, evaluation and professional growth) and that these responsibilities cannot be negotiated away.

3.4 Student Enrollment Funding

The following information is based on a review of Department correspondence and documentation, and interviews with current and former senior Department officials.

Findings

- Funding for students enrolled in ALCs was administered through the Schools Finance Branch of the Department in the same way as regular high school students. They were funded through the traditional September 30th school enrollment submission from School Divisions.
- For 1997/98, the age at which a student was considered an adult was reduced (from age 22 to age 21) and allowed funding for a high school diploma plus 4 credits beyond.
- This amendment and the first mention of ALC funding appeared in Appendix D of the *Schools Finance Branch Funding Booklet for 1997/98*. The funding rules for ALCs were stated in specific terms:

- Pupils enrolled in adult learning centres are eligible for provincial funding under the following conditions:

  1. Pupils are registered at a senior years school in the School Division and the principal of this school has been formally assigned the responsibility for approving the programming offered to these pupils by the adult learning centre.

  2. Courses taken at the adult learning centre are eligible to be used as credits toward a high school diploma.

  3. Courses taken at the adult learning centre are taught by certified teachers.

  4. The approval of the Minister of Education and Training has been obtained.

- Pupils who are 21 years of age or older on September 30th of the school year, or who are not 21 years of age at September 30th but who are not actually attending classes in the school where they are registered, will be funded according to the percentage of time attending the adult learning centre up to the maximum number of credits allowed for funding. Pupils who are not 21 years of age at September 30th of the school year, but are attending classes at the school where they are registered will already have been counted as a full time pupil in the eligible enrollment of the School Division.

- We reviewed archived government files in order to obtain documents indicating formal written approvals for each ALC. We were unable to locate existence of formal written approval from the Minister of Education and Training with the exception of approval for one ALC.

- The Department began tracking expenditures for adults in 1998/99. Only the 2000/01 enrollment figures were coded for ALC purposes. Enrollment for 1998/99 and 1999/00 are based on students aged 19 and over reported through high schools. This is the best available estimate of overall ALC enrollment, but it also includes adults in high schools, and therefore slightly increases actual ALC enrollment.

- The financial consequences of ALC programming became apparent during the 1999/00 school year. The Department had budgeted $6.3 million for ALC programming in that year. Upon receipt of School Division enrollment figures, the amount required almost tripled to $17.1 million (see Table 1). This forced the Department to obtain a Special Warrant (approval for additional monies) for $10.8 million to provide the additional funding.

- As a result, for the 2000/01 school year, funding for ALCs was revised. The amount of funding to be provided for each ALC student was reduced from approximately $3,600 to approximately $2,500. On this basis, the Department budgeted $12.2 million to fund adult learning. Despite this change, continuing increases in ALC enrollment caused actual funding of $15.2 million to exceed the budget by $3.0 million (25%).

- As a consequence of the continuing growth of ALC enrollment figures, the Department has once again altered the funding method for 2001/02. The process changed from enrollment-based funding to program-based funding. Responsibility for funding has been moved from the Schools Finance Branch of the Schools Program Division to the Community Learning and Youth Programs Branch of the Training and Continuing Education Division. On May 10, 2001, the Minister of Education, Training and Youth announced $14 million in program support for 43 adult learning centres for the 2001/02 school year.
- Documentation indicated that the rationale for change to the funding process include the following points:
    - Although the Department is committed to supporting adults returning for high school credits, adults are not entitled learners [see PSA sec 259(1)]. It was determined that funding to support adults should be made available by an annual allocation approved by Treasury Board rather than an open-ended and unpredictable enrollment based system.
    - Program-based funding will allow the Department to focus funding to those learners with the highest need.
    - The movement from per-capita funding to program-based funding allowed the Department to make ALC funding a stable and predictable budget item. The aim was not to reduce the overall funding but to stabilize it, and at the same time to ensure that all funding went directly to programming focused on meeting the needs of adult learners.
    - ALCs will now be required to demonstrate adherence to sound adult education principles and will have to report outcomes to indicate their success in order to receive funding.
- Much of the detail in how the new funding system will operate is contained in the Department document entitled, *Accountability Framework For Adult Learning Centres 2001/2002*. The document provided a list of principles of good practice for ALCs, as well as some qualitative and quantitative accountability measures that the new funding system requires ALCs to track.
- For the 2001/02 school year, applicants submitted requests for funding based on their proposed ALC programming. As per Department personnel, programs that were deemed to have poor financial accountability and/or weak results had their funding reduced, and those dollars were redirected to provide more support for programs that had demonstrated good financial accountability and stronger educational integrity.
- Program funding requires strong program monitoring as there is a potential risk that funds may be provided in excess of sustained enrollment at an ALC. The new funding system requires ALCs to prepare and submit qualitative and quantitative information. Independent third party verification of this information is not requested.

- The Department advised us that it will develop a *Good Practices Guide for Adult Learning Centres* that will be completed annually by ALCs and used to produce an annual "Development Plan" which is a program self-evaluation tool directed toward continuous program improvement.
- Under the new funding policy, partnered School Divisions can claim administration fees from ALCs on a cost-recovery basis only. ALC funds cannot be used to support a School Division's operations that do not pertain directly to adult learners.
- 2000/01 and prior ALC partners included both not-for-profit organizations and for-profit organizations. We conducted a documents search of the ALCs that had been designated to receive funding for the 2001/02 school year to determine if the recipient ALCs were nonprofit organizations. The search highlighted that one ALC that was granted funding for the 2001/02 school year was still registered as a for-profit organization when funds were awarded. Departmental personnel stated that they were in the process of checking to ensure all ALCs have a not-for-profit status.

Conclusions

- The lack of an effective legislative and policy framework, together with the monetary incentives, may have contributed to a rapid and unforeseen increase in the cost of adult learning programming.
- Ministerial approval for ALCs was required for partnership agreements. Formal written approvals were likely never obtained.
- Program-based funding provides funding for programs that may have an enrollment base far below expected levels. In such circumstances there may be no way to recover these funds based on enrollment figures unless appropriate flexibility is built into the funding model to allow adjustments to be made.
- The accountability criteria proposed under the new funding policy provides limited monitoring provisions other than self-evaluation by the ALCs. Under the PSA and the EAA, School Divisions are responsible. *The Accountability Framework for Adult Learning Centres 2001/02* implies shared accountability between ALCs and School Divisions. This is an ambiguous situation which runs the risk of lowering the level of accountability.
- Contrary to the new funding criteria for the 2001/02 school year that requires ALCs to be not-for-profit organizations, the Department awarded funding to an ALC that was structured as a for-profit entity at the time funding was awarded.

3.5 ALC Monitoring

3.5.1 GENERAL

Information obtained was based on a review of Department correspondence and documentation, visits to a random number of ALC sites, and interviews with current and former senior Department officials, and ALC teachers.

Findings

- Prior to the upcoming school year, the Department did not have a complete listing of all ALCs that were being funded through School Divisions in Manitoba.
- The Department was unable to provide us with data or any assessments of the success of individual ALCs.
- The Department had no method to monitor the quality of ALC programming and relied on the monitoring responsibilities of School Divisions to ensure that ALCs were providing a quality education to their students.
- There were no appropriate monitoring procedures in place to determine accurate success rates at ALCs. Although the Department had access to the numbers of credits being awarded in the various School Divisions, prior to 2000/01, it could not specifically identify ALC students.
- There is presently no method available to the Department or School Divisions to identify the ALC location students attended when they were awarded marks and credits. Department records do not distinguish ALC students from students who are attending at regular K to S4 schools.
- During this review we became aware that there are no limits on the number of times a person can enroll for funded courses in ALCs.
- We believe that it is possible that similar to The Program (Chapter I), September 30th FTE enrollment figures for other ALCs in Manitoba may have exceeded the number of students that were actually in attendance at an ALC. At one of our site visitations, we were informed by the Site Coordinator that attendance never exceeded 350 students. This particular site received funding in excess of that figure.
- During 2000, the Department informally received a number of concerns from citizens regarding the authenticity of student enrollments at ALCs and the overall lack of sufficient measures by School Divisions to ensure quality programming for 1999 and 2000 school years. The Department's move to program funding for the 2001/02 funding year was a move to contain program costs.
- In December 2000 Agassiz School Division completed a detailed review of their September 30, 2000 enrollment figure upon request by the Department. They concluded that attendance records and surveys did not

support their September 30, 2000 enrollment figure of 605.7 FTEs submitted to the Department. The Department estimated that a more appropriate figure was 400.2 FTEs. Based on the ALC funding formula for 2000/01, Agassiz School Division's funding would normally have been reduced by approximately $500,000. The Department did not reduce Agassiz School Division's ALC funding, acknowledging that this School Division needed the funds to mitigate their deficit situation. As such, the Department provided approximately $500,000 to Agassiz School Division in ALC funds that they knew would not be used for ALC education.

- Uncertified individuals were teaching courses in ALCs. As well, a number of Limited Teaching Permits were requested and issued for ALC instructors. As per the Public Schools Act, Section 91(1), Certified Teachers and Principals, *"... No person is legally qualified to teach or be employed by a School Board as a Teacher or Principal unless that person holds a valid and subsisting certificate issued by the Minister under the Education Administration Act"*.

- A number of people that have been involved in managing ALCs were either non-educators or teachers with limited administrative experience.

- One ALC, as per Department correspondence dated August 31, 1998, operated as ... *"a defacto school for all intents and purposes; a private or independent school operating in both the public school system or the funded independent system, as the case may be, and receiving provincial grants yet providing the Department with little of the accountability expected of Public and funded independent schools. ... Nonetheless this ALC has established itself and obtained provincial funding through processes largely invisible to the Department and in ways that do not comply with our requirements"*.

- The above noted ALC was informed that they would be subject for audit for the 1998/99 year, but this did not occur.

- At some ALCs, facilities were not adequate for the number of FTE students enrolled. As well, not all ALCs offer the same level of information technology or library reference material for students. One ALC which offered science courses had very limited science equipment.

- Correspondence highlighted the administration and management weaknesses of one ALC which, over the past four years, has experienced four splits with teachers or ALC locations. This ALC was originally partnered with two School Divisions in 2000/01. One School Division has decided to discontinue partnering with this ALC for the upcoming school year. This ALC was awarded $625,000 of funding for 2001/02.

- ALCs do not follow consistent student assessment or registration processes.

- The recently published *Accountability Framework for Adult Learning Centres 2001/2002* discusses that a balance of qualitative and quantitative measures are needed for ALCs, but does not provide clear definitions.

Conclusions

- The Department did not have an effective monitoring process in place to ensure that School Divisions were delivering cost effective and quality education to adult learners. While the changes made for the 2001/02 year represent important improvements, we believe further improvements will be required.
- Due to the lack of monitoring, it is likely that FTE funding for other ALCs was in excess of actual students enrolled and in attendance.
- There is no system in place to monitor how many times a person is funded for ALC enrollment over several years. As a consequence, an ALC can be funded for the same person year after year if the person does not graduate.
- The Department used ALC reported and designated funds to assist Agassiz School Division with their deficit. In the end, Agassiz School Division was not required to refund approximately $500,000 of ALC funding for overstated FTE enrollment.
- The provision of funding of $625,000 for 2001/02 to an ALC with such a poor track record for accountability and for providing an appropriate quality of education, suggests that the Department's funding decision placed greater emphasis on the revamped programming proposed in the 2001/02 funding application than on the past performance of the ALC.

3.5.2 FINANCIAL REPORTING

Findings

- The FRAME (Financial Reporting and Accounting in Manitoba Education) reporting system was not modified until recently to accommodate transparent ALC financial reporting. As the financial statements of School Divisions are presented in the FRAME format, important and significant information regarding ALC expenditures in School Divisions was not available to the Department.
- Significant changes to the method of funding ALCs occurred for the 2001/02 school year. The FRAME budget package for 2001/02, sent to School Divisions in early 2001, included a section for reporting ALC expenditures within the FRAME structure. However, the latest version of the FRAME manual, revision No. 7 dated November 23, 2000, included changes to be effective for the 2001/02 school year but made no reference to ALCs or how they were to be dealt with. Departmental staff indicated that the required changes to the manual would be in place shortly.
- A number of ALCs operated as for-profit organizations and were not required to provide audited financial statements to School Divisions or the Department. As such, unless a School Division paid all bills for an ALC, there was no accountability for the monies spent. We are aware of one instance where an ALC with an estimated enrollment of less than 800 students paid salaries of at least $80,000 to each of the two ALC owners.

- Between 1996/97 and 1999/00, ALCs in MMSD and others obtained funds for operations directly by cheque payable to the business entity from the School Division after the administration fee and teachers' salaries were withheld. Surplus monies were kept by the ALCs. They had the flexibility to utilize program options such as correspondence courses to allow students to obtain credits without the full expense of hiring full-time teachers.

Conclusions

- The FRAME system was not adjusted to account for the ALC situation until the 2001/02 school year. The system provided no basis for transparent reporting of ALC financial information from School Divisions or from ALCs. Additional modifications to FRAME will be needed to ensure transparent Division and ALC financial reporting.
- ALCs are presently not required, nor were they historically required to provide audited financial statements. As such, the financial operations of funded ALCs are not transparent.
- The $80,000 paid in salary to each of the owners of a relatively small ALC may not represent an effective use of public monies. However, this is difficult to judge in the absence of an effective legislative and policy framework. The situation suggests that the new program funding process will need to further consider the appropriate level of remuneration for Directors/Coordinators of ALCs.

3.5.3 CONTROL OVER MATURE STUDENT HIGH SCHOOL DIPLOMAS

Findings

- During the course of our review we became aware of a situation involving the issuing of a Mature Student High School Diploma by an ALC partnered with both MMSD and another School Division. The diploma, issued to a student in an ALC of the other School Division, recorded MMSD as the graduating Division. To further complicate matters, the Principal who signed the diploma was also from the other School Division. This situation raises the issue of control over the distribution of diplomas and concerns about whether Principals were signing diplomas without verification of graduation.
- We contacted the Manitoba Textbook Bureau (MTB) and were informed that blank diplomas are purchased by the Department and sent to MTB for storage and subsequent distribution. MTB ships the blank diplomas to high schools upon request. We asked MTB to determine whether any diplomas were sent directly to any ALCs rather than to the sponsoring school. MTB confirmed that, in fact, blank diplomas were sent directly to some ALCs.
- Our discussions with MTB staff determined that the supply of diplomas is not controlled. The diplomas are not numbered and stock is replenished

when low. MTB staff related that MTB was simply a centre for distribution.

Conclusion

- The distribution of blank diplomas by MTB is not adequately controlled. Distribution has been made directly to some ALCs that are not solely authorized to award graduation diplomas. Only the Principal of a sponsoring high school may award graduation diplomas.

3.6 Recommendations

Legislation and Policy

- That the Department consider moving quickly to put in place appropriate legislation to address ALCs in Manitoba. This legislation should ensure clarification of the following:
  - the role and goals of ALCs in Manitoba;
  - the issues of ownership of assets, funding surplus, and responsibility for deficit;
  - responsibilities of ALCs, partnering School Divisions, and the Department; and
  - performance measures and accountability reporting.
- That the Department consider establishing a requirement that ALCs must be operated only by educators who have training in administration and/or site management.
- That the Department establish standards for the operation of an ALC covering student initial assessment and testing, the availability of technology, library and reference material, facility size and condition, furniture requirements, administrator/coordinator qualification, etc., to ensure that ALCs are positioned to provide a comparable quality of education in comparable facilities.
- That the Department establish School Division and ALC standards for ALC records management covering the retention of admission, registration and student records, giving due consideration to the Freedom of Information and Protection of Privacy Act (FIPPA).
- That the Department provide guidance to School Divisions on the content of partnership agreements with ALCs.
- That the Department establish enrollment guidelines to clearly communicate the number of times an individual can be funded in an ALC.

Funding

- That the Department consider basing the amount of ALC funding on the educational delivery model to be used by an ALC. Sites using lower cost per student delivery models should be funded accordingly. A start-up inventory of equipment, furniture, textbooks and supplies could be included in the funding application. Further, a long-term business plan for each ALC should be requested as part of this application.
- That the Department reassess its decision to provide program funding of $625,000 for 2001/02 to an ALC that has demonstrated problems in providing learners with an appropriate quality of education.
- That the Department consider requiring that School Divisions previously partnering with an ALC provide an evaluation of that ALC for the Department's use in assessing whether this ALC would receive future

funding. In turn, the evaluated ALC could supplement this with an action plan on how they would address any problematic issues.

- That prior to awarding funding to existing ALCs, Department staff ensure adequate facilities are in place. Further, that Department staff visit all existing and new ALCs within the first two weeks of operation to ensure that appropriate learning environments are in place.
- That the Department consider requiring ALCs to provide formal documentation as verification that they are established as not-for-profit entities prior to their being considered for funding in accordance with the new funding policy.

Monitoring

- That the Department establish appropriate performance measures to be used in formally monitoring the success of ALCs in providing quality education to adult learners. These measures should be used to determine whether continued funding is justified.
- That the Department ensure that records identify the ALC students and which ALC site they attend for success rate monitoring.
- That the Department ensure that ALCs are using certified teachers in accordance with the Public Schools Act.
- That the Department approve Limited Teaching Permits only where a demonstrated need is proven.
- That the Department define and clearly communicate to School Divisions and ALCs the conditions under which funding would be revoked or denied (i.e., use of uncertified teachers, lack of enrollment, poor success rates, etc.), and that the Department apply the conditions consistently.
- That should the Department become aware of problems in ALCs, this information be substantiated and acted on in a timely manner by Department staff, even to the extent where funding is withdrawn.
- That the Department ensure that School Divisions have appropriate policies and procedures in place to guide their management of the ALC partnership relationship.
- That the Department consider requesting annual audit reports on ALC operations from ALCs covering the following:
    - Enrollment;
    - Performance Measures;
    - Financial Statements; and
    - Public Sector Compensation Disclosures.
- That the Department define the scope of audit work required for enrollment and performance measurement, and that financial statements be prepared in accordance with Generally Accepted Accounting Principles.

- That disclosure of compensation for not-for-profit employees should be made in compliance with the Public Sector Compensation Disclosure Act.
- That the Department seek legal advice with respect to requesting a return of monies from any School Division where they are aware that enrollment figures were overstated.
- That the Department implement a system of control where the Mature Student High School Diplomas are only distributed to authorized locations. All diplomas should have an identifying number to allow control over issuance.

Comments from Department

- *The Department accepts and intends to continue to implement the directions outlined in the report, including the development of Adult Learning Centre (ALC) legislation and other immediate policy and funding changes.*

- *Since the fall of 1999, the Department has taken active measures to establish a strong educational and policy framework for ALCs in Manitoba. These steps have included the following:*

  - *Engaging a consultant to report on ALCs late in 1999 to determine the nature of the situation;*

  - *Conducting a consultation with ALCs early in 2000 to communicate that there would be significant changes;*

  - *Reducing the per student FTE funding amount as an initial step to remove the profit incentive around ALCs;*

  - *Initial development of a policy framework for ALCs (the Adult Learning Centres Policy Handbook, 2001) with further consultations on that framework;*

  - *Transferring responsibility for ALC funding from The Public Schools Finance Branch to Community Learning and Youth Programs;*

  - *Changing the means of funding ALCs for 2001/02 from a per student FTE basis to program funding considering program and fiscal accountability; Program funds allocated for 2001/02 are being disbursed in four payments, the last of which will be held back until a final financial report is received. Any carryover will have to be accounted for, and can impact future funding; and*

  - *Recent hiring of new staff to work with ALCs. Since April 1, 2001, the equivalent of four full time staff positions have been designated to supervise and advise ALCs and to provide future training and development for ALC staff.*

- *The Adult Learning Centres Policy Handbook (2001) states that "Learners under the age of 19 who attend ALCs will not be funded by the Community Learning and Youth Programs Branch". The Department is working closely with ALCs to ensure that learners under the age of 19 will be appropriately reported and funded in 2001/02.*

- *The Adult Learning Centres Policy Handbook (2001) also states that "The Community Learning and Youth Programs Branch will fund only programming that leads toward the attainment of Senior 1 to Senior 4 credits, including related literacy and tutorial supports to attain these credits, and high school completion." Effective July 1, 2001, ALC funding and supervision has been managed by the same unit that funds and supervises community based literacy programs. This pairing of program areas is facilitating efforts to articulate appropriately*

between literacy and high school upgrading, and will enable the Department to assist programs in providing informed referrals for learners. The Adult Learning Centres Policy Handbook (2001) expressly prohibits the use of ALC funds for anything other than adult education. ALCs will now be required to submit detailed budgets and regular cash flow statements, and School Divisions may assess administration fees only on a cost recovery basis. Conditions of ALC funding for 2001/02 include caps on allowable administration fees. The Department will be working with School Divisions to ensure that funds are appropriately allocated and reported in 2001/02. As well, ALCs are being advised of the importance of appropriate intake assessment, advice, and referral for learners whose needs would be best met in another program.

- *The Department's view is that many ALCs have provided important and high quality education to many Manitoba adults. The Department's actions have been guided by the need to make sure that we do not punish learners and educators who have been working hard in this area because of problems in some areas.*

- *The Department has further developed action plans to address the recommendations made by the PAO. The Department has been clear that other measures would be taken as needed to ensure that ALCs effectively serve their intended purposes. The Department's actions will be made in a way that best serves the needs of learners.*

Appendix A

ALC FTE ENROLLMENT AND MONIES PROVIDED TO SCHOOL DIVISIONS OPERATING ALCS

$ Support and FTEs by School Division

Div. No.	School Year							
	1997/98		1998/99		1999/00		2000/01	
	Actual $ Support	FTE(1)	Actual $ Support	FTE(1)	Actual $ Support	FTE(1)	Actual $ Support	FTE
1	-	-	-	-	-	-	42,190	16.2
2	176,482	56.7	280,447	72.8	675,670	170.1	290,242	114.4
9	19,196	5.3	31,528	9.1	446,516	117.4	408,634	160.6
10	492,293	136.2	468,814	125.3	787,760	203.5	58,531	22.8
11	180,202	49.7	148,354	40.5	132,112	34.4	221,814	88.8
12	26,471	7.3	600,526	160.2	1,035,335	267.6	766,876	300.7
13	1,012,643	269.3	1,122,799	336.1	1,518,745	406.5	1,478,383	605.7
14	1,559	0.4	-	-	191,951	52.5	-	-
18	155,456	40.8	178,243	51.2	484,768	136.7	259,938	105.8
19	29,186	7.4	1,634,573	473.7	9,219,461	2,818.4	9,542,124	3,850.2
21	158,673	43.0	173,988	48.4	125,352	33.8	223,466	89.8
23	6,311	1.4	9,389	2.8	8,992	2.7	-	-
24	194,411	52.6	192,443	53.6	225,068	61.2	199,184	80.9
25	2,688	0.7	4,044	1.0	280,670	78.4	251,190	103.5
26	124,042	33.7	95,753	27.1	187,564	52.5	136,174	54.3
33	24,324	6.3	11,007	3.4	23,633	6.6	4,755	2.0
35	91,499	20.8	117,351	32.5	104,651	28.5	72,593	29.5
38	-	-	-	-	-	-	9,702	3.9
39	-	-	28,843	8.0	85,351	23.0	85,318	34.7
40	116,565	34.1	96,036	26.8	199,104	56.2	259,350	102.7
41	-	-	2,836	1.0	102,093	26.3	60,368	24.2
43	-	-	-	-	-	-	20,999	8.9
44	3,224	0.8	98,329	26.5	344,268	90.4	271,819	110.3
45	641,829	155.1	574,295	155.1	344,929	92.8	-	-
47	10,589	2.9	127,791	36.6	207,197	57.5	177,530	72.5
2355	520,041	121.1	378,230	94.1	321,583	77.6	346,426	123.0
	3,987,683	1,045.6	6,375,619	1,785.8	17,052,773	4,892.6	15,187,606	6,105.4

(1) Estimate based on pupils 19 or older at December 31 reported with eligible percentages

Source: Department of Education, Training and Youth

Excerpt: The Provincial Auditor's Act

Examination of accounts

12(1) The Provincial Auditor is the auditor of the accounts of the government including those relating to the Consolidated Fund and as such shall make all examinations and inquiries he considers necessary to enable him to report as required by this Act.

Audit of other public moneys

12(2) Unless some other provision is made pursuant to a statute in that behalf, the Provincial Auditor is responsible for the examination, checking and auditing, of the receipt and payment of public moneys that are not part of the Consolidated Fund.

Content of report

13(2) Each report of the Provincial Auditor under subsection (1) shall call attention to anything that he considers to be of significance and of a nature that should be brought to the attention of the assembly, including any cases in which he has observed

(a) that accounts have not been faithfully and properly maintained or public moneys which are required by law to be fully accounted for and paid into the Consolidated Fund have not been so accounted for and paid;

(b) that essential records have not been maintained or that the rules and procedures applied have been insufficient

(i) to safeguard and control public property, or

(ii) to secure an effective check on the assessment, collection and proper allocation of the revenue, or

(iii) to ensure that expenditures have been made only as authorized;

(c) that public moneys have been expended other than for purposes for which it was appropriated by the Legislature.

Special audits

15(1) Notwithstanding any other provision of this Act, the Lieutenant Governor in Council or the member of the Executive Council charged with the administration of The Financial Administration Act may, at any time, direct the Provincial Auditor to make an examination and audit of the accounts of any person, institution, branch, commission, board, department or agency of the government, in any way receiving, paying, or accounting for, public moneys and report thereon to him, and the Provincial Auditor shall forthwith make the examination, audit and report as directed, if in his opinion the making of the examination, audit and report does not interfere with his primary responsibilities.

Reliance on report of other auditors

17(1) ..... in order to fulfil his responsibilities as the auditor of the accounts of the government, the Provincial Auditor may rely on the report of the duly appointed auditor of any agency of the government or of any subsidiary of an agency of the government or of any recipient of public moneys.

Provincial Auditor may request information

17(2) The Provincial Auditor may request an agency of the government to obtain and furnish to him such information and explanations from its present or former directors, officers, employees, agents and auditors or those of any of its subsidiaries as are, in the opinion of the Provincial Auditor, necessary to enable him to fulfil his responsibilities as auditor of the accounts of the government.

Inspection audit

17(4) The Provincial Auditor may perform an inspection audit in respect of a recipient of public moneys and may require a recipient of public moneys to prepare and submit to the Provincial Auditor a financial statement that sets out the details in the accounting for the public moneys received by the recipient of public moneys.

Obstruction of Provincial Auditor

17(5) No person shall obstruct the Provincial Auditor or any person employed under the Provincial Auditor in the performance of an inspection audit or conceal or destroy any books, papers, documents or things relevant to the subject matter of an inspection audit being performed under subsection (4).